



Quarterly Market Trend Analysis for Economic Development in Cerritos

City of Cerritos Economic Profile Summer 2018

A City With Vision



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Introduction

The Cerritos *Economic Profile* is a report that is prepared on a quarterly basis to conduct market trend analysis and to develop strategies for the City's Business Retention and Expansion (BRE) Program. The BRE program was created in order to identify business climate issues and individual actions that would improve the operating conditions of existing businesses. It also provides the mechanism to identify "at risk" businesses and respond to their specific needs.

The development of the BRE was identified in the City of Cerritos Economic Development Strategic Plan (EDSP), which was adopted by the Cerritos City Council in 2007. As identified in the EDSP, Goal BAR-1 recommends that the City identify the "best customers" among existing Cerritos businesses and initiate an outreach program. In addition, Goal BAR-7 recommends that staff dedicate resources to track market trends.

With this in mind, this *Economic Profile* is a product of the EDSP and complements the BRE by tracking market trends for the preparation of economic development strategies. The *Economic Profile* will assist City staff in responding proactively to the ever changing business climate. In addition, this report supports the City's commitment to creating a business-friendly environment in which quality jobs may grow and prosper. The report will also assist the City in expanding on its tremendous success with its economic base by identifying growth industries as well as declining industries in need of reinvigoration.

The *Economic Profile* is comprised of several sections, which includes Major Revenues, Employment, Housing, and Commercial Real Estate. The statistical data is compiled from a wide variety of sources, such as the California Employment Development Department, Cerritos' Finance Division, and several real estate publications. The quarterly report provides a wealth of information and will be used by City staff to monitor the economic profile of the City in order to develop precise strategies to improve the business climate in Cerritos. The *Economic Profile* is the first of its kind in the local Gateway Cities region and it illustrates the commitment of Cerritos to its tradition of being "A City with Vision."

The publication of the *Economic Profile* is a business attraction and retention effort by the Cerritos' City Council and it illustrates the City's commitment to economic development in order to continue to provide high-quality services to the public. With this in mind, the City is proud to present this quarterly report for the residents of Cerritos, businesses, developers, and other outside business professionals in order to attract new businesses and to grow the local economy.



Mark E. Pulido
Mayor



Naresh Solanki
May Pro Tem



Jim Edwards
Councilmember



Grace Hu
Councilmember



Frank A. Yokoyama
Councilmember

Economic Development Commission

The Economic Development Commission acts in an advisory capacity to the City Council on the needs of existing businesses and the availability of economic development opportunities and resources. The Commission is responsible for providing input on business retention, business expansion, business marketing issues and technology related issues.

Additionally, the Commission reviews the *Economic Profile* on a quarterly basis and provides guidance on a variety of issues including revenues, housing, employment, and commercial real estate. The Commissioners, which are appointed by the City Council, have a diverse business background and provide a unique perspective on economic development issues facing the City.

Regular meetings of the Economic Development Commission are held at 7:00 p.m. on the second Tuesday of the month, in February, May, August and November at the City Hall Council Chambers.

The Commission members include:

Carmelita Lampino
Chair

Brian Hews
Vice Chair

Richard Alegria
Commissioner

Robert Buell
Commissioner

Riaz Surti
Commissioner



2010 Winner
Most Business-Friendly City Award

Executive Summary

Cerritos Economic Profile for Summer 2018

For Summer 2018, the City of Cerritos is showing continued economic growth for some sectors, which include sales tax from the Cerritos Industrial Park, new/renewal of business licenses increased, unemployment continued to decrease, and the overall vacancy rate was at a relatively low vacancy rate of 4%. The housing sector continues to grow in a positive direction and Zillow.com is reporting that the Cerritos housing market may continue to rise with a forecasted increase of 12% over the next year. Below is a brief summary of each of the economic indicators for the City of Cerritos, which are explained in further detail throughout this Economic Profile.

Major Revenues

Sales tax revenue for the 2018-Q1 totaled \$5,890,619 which is a 8.4% decrease from the first quarter in 2017, amounting to an approximate decrease of \$537,892 in sales tax revenue generated during the first quarter. In a first quarter analysis over the past three years, sales tax revenue increased from \$5.8 million in 2015-Q1 to a high of \$6.4 million in 2017-Q1, and then decreased to the current \$5.8 million in 2018-Q1. The decrease is largely attributed to a slight reduction in auto sales at the Cerritos Auto Square, which had a record breaking sales year in 2017.

The Cerritos Auto Square generated the greatest amount of sales tax for the City in 2018-Q1, totaling \$3.2 million, which was a 11.4% decrease from last year, amounting to a decrease of \$419,482. The Los Cerritos Center generated the second highest sales tax at \$728,515, which was a decrease of \$249,199 from 2017-Q1. The third highest sales tax generator was the Cerritos Industrial Park at \$568,753, which equated to a 9.4% increase from the previous year.

In the second quarter of 2018, the Cerritos Auto Square sold a total of 14,188 cars, which was a decrease of 962 cars from last year's all time high for the same quarter. For 2018-Q1, the City processed a total of 1,104 new and renewal of business licenses (6.6% increase), which resulted in \$320,069 in total revenue. The City also received \$196,043 in Transient Occupancy Tax revenue during 2018-Q2.

Unemployment/Employment

The unemployment rate among Cerritos residents is approximately 4.0% (June 2018 estimate), which is one of the lowest amongst surrounding cities and cities with similar size and/or demographics in the region. Additionally, the Cerritos labor force for May 2018 was 25,532 and was constituted by 24,677 employed and 855 unemployed residents.

Commercial Real Estate

Cerritos currently has 837,790 square feet of vacant space, which is approximately 4% of the total available real estate space in Cerritos (21,196,480 sq. ft.). Of the total 4% vacant space in Cerritos, 79% is industrial space (679,202 sq. ft.), 16% is retail space (125,334 sq. ft.), and 5% is office space (33,254 sq. ft.). Industrial vacant space in Cerritos includes a greater proportion of warehousing businesses, which require the use of large buildings. Due to the large amount of building area required for industrial warehousing, a single vacancy may have a significant disproportionate impact on available industrial space statistics/metrics.

Housing

For 2018-Q2, the single-family median home sale price in Cerritos was approximately \$743,500. In a regional comparison of the second quarter, homes in Cerritos have maintained their values and were higher than most cities of comparable size and demographics. Condominiums have an average median sales price of \$519,533 which was higher than the previous year.

Major Economic Indicators—Nationwide

The Bureau of Labor Statistics (BLS) is a unit of the United States Department of Labor and serves as the principal fact-finding agency for the United States Government in the broad field of labor and statistics. The BLS is a governmental statistical agency that collects, processes, analyzes, and disseminates essential statistical data to the American public, the United States Congress, other Federal agencies, State and local governments, business, and labor representatives.

On a monthly basis, the BLS produces a brief economic “snapshot” of the United States economy on their website, which includes economic indicators from a variety of sectors. These economic indicators help business professionals to gauge the economy and assists in creating policies and strategies to stimulate economic growth. Below is the most recent economic “snapshot” from the BLS.

Although this *Economic Profile* serves as a “snapshot” for the City of Cerritos’ local economy, economic indicators, as provided below, provide an overview and comparison between the City and the United States.

Brief Overview of the United States Economy

Consumer Price Index (CPI):

+0.1% in June 2018

As a widely used measure of inflation, the Consumer Price Index measures price movements of major groups of goods and services. The CPI presents price changes on food, energy, housing, apparel, transportation, medical care, recreation, and education.

Unemployment Rate:

4.0% in June 2018

Current unemployment rate for the United States.

Payroll Employment:

+213,000(p) in June 2018

The number of new persons added to the payroll at the Federal level.

Average Hourly Earnings:

+\$0.05(p) in June 2018

Increase in average hourly earnings.

Producer Price Index - Final Demand:

+0.3%(p) in June 2018

A measurement of the average changes in prices received by domestic producers for their output.

Employment Cost Index (ECI):

+0.8% in First Quarter of 2018

A quarterly report from the U.S. Department of Labor that measures the growth of employee compensation (wages and benefits). The index is based on a survey of employer payrolls in the final month of each quarter. The ECI tracks movement in the cost of labor, including wages, fringe benefits and bonuses for employees at all levels of a company.

U.S. Import Price Index:

-0.4% in June 2018

A measurement of the average changes in prices of goods and services that are imported to the United States.

U.S. Export Price Index:

+0.3% in June 2018

A measurement of the average changes in prices of goods and services that are exported from the United States.



Major Revenues

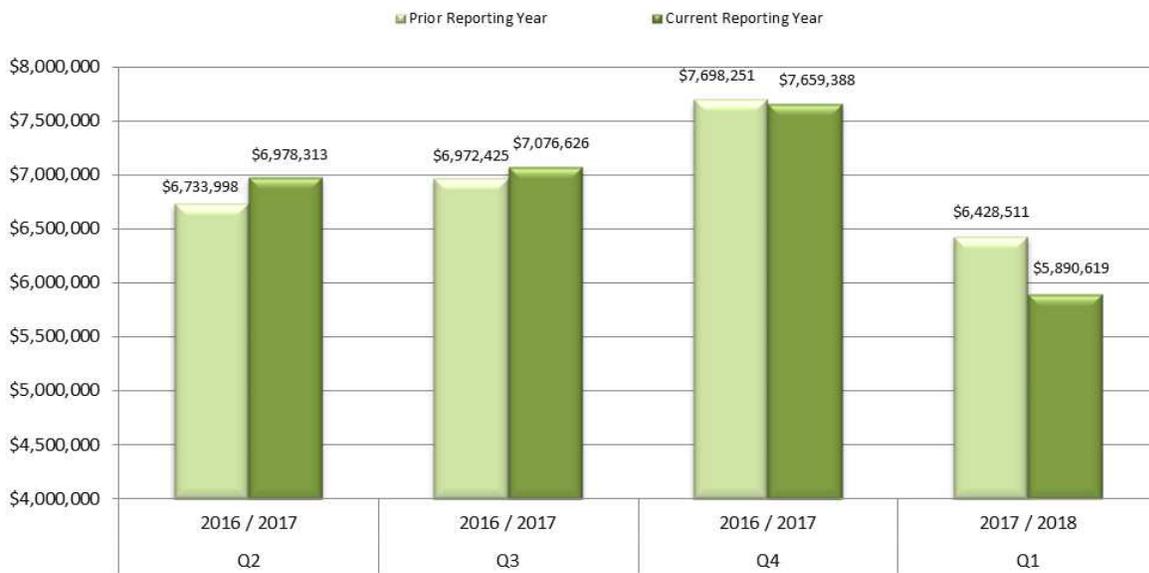


Major Revenues

Sales Tax

For 2018-Q1, businesses in the City generated \$5.8 million in sales tax revenue, which was a decrease from 2017-Q1 (\$6,428,511 or 8.4% decrease), which is largely due to a reduction in auto sales at the Cerritos Auto Square. Over the past four quarters (2017-Q2 to 2018-Q1), sales tax for the City has averaged \$6.9 million and 2018-Q1 was the first quarter to report a decrease in sales tax revenue. Even with the minor decrease, 2018-Q1 total sales tax was comparable to 2015-Q1 total sales tax (\$5.8 million). Fourth quarter sales tax is typically higher than all other quarters due to holiday shopping spending. Subsequently, sales tax in the first quarter tends to decrease with the end of the holiday shopping season. Please note that sales tax reporting is one quarter behind and the data presented herein is the most current data available.

Sales Tax Revenue – Calendar Year



Sales tax revenue increased from \$23,238,546 in 2014 to \$25,704,791 in 2015 (10.6% increase or \$2,466,245). In 2016, sales tax again exceeded the previous year, increasing from \$25,704,791 in 2015 to \$27,726,062 in 2016 (7.9% increase or \$2,021,271). In 2017, sales tax increased once again to a high of \$28,142,838, which equates to a 1.5% increase from 2016.

The City has experienced an increase in overall annual sales tax revenue over the past three years. This may be attributed to the growing local economy, a declining unemployment rate, a low vacancy rate at the Industrial Park and regional commercial centers, new commercial development in the City, and an increase in auto sales from 2014 to 2017 at the Cerritos Auto Square.

Sales Tax Revenue from the Past Four Calendar Years

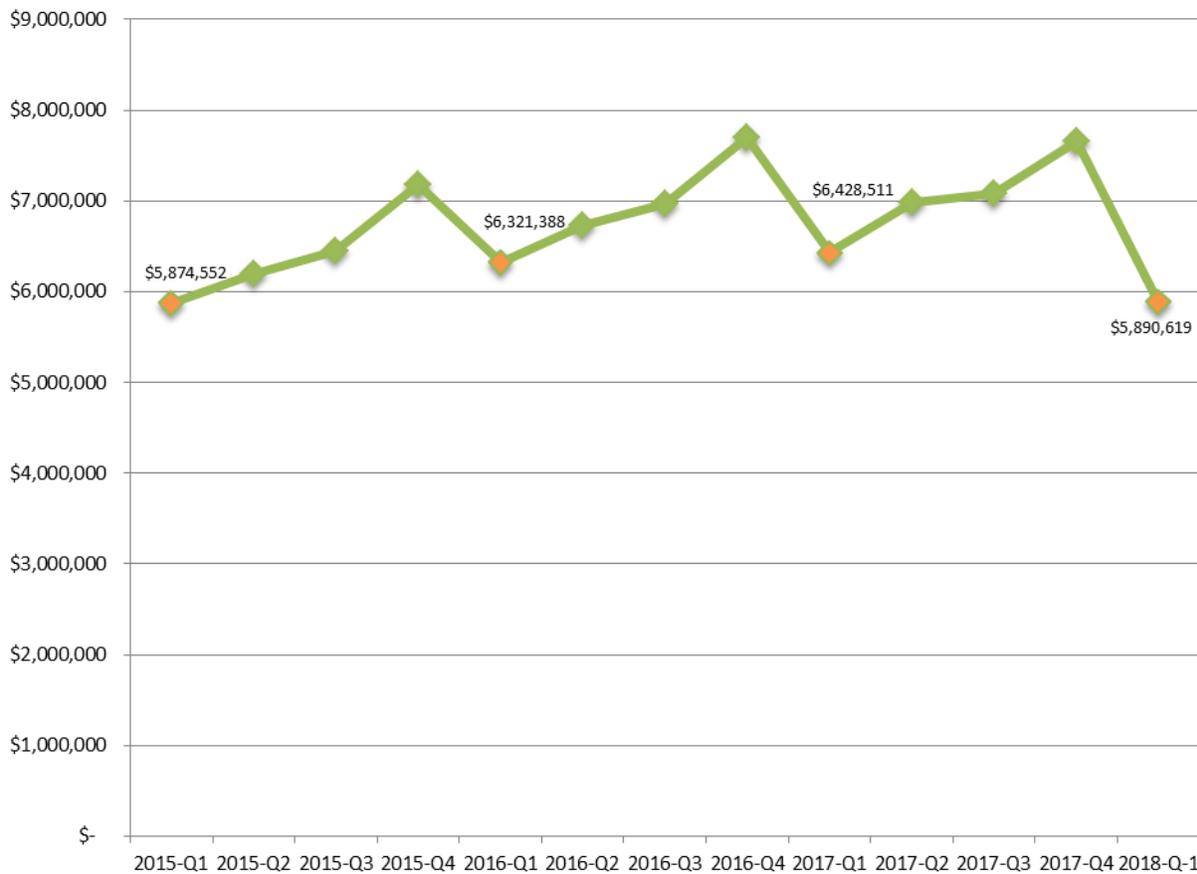
2014	2015	2016	2017
\$23,238,546	\$25,704,791 ↑	\$27,726,062 ↑	\$28,142,838 ↑

Major Revenues

Sales Tax – First Quarter Analysis

Based on a trend analysis, quarterly sales tax was at \$5.8 million in 2015-Q1, increased significantly in 2016-Q1 to \$6.3 million, increased again in 2017-Q1 to \$6.4 million and decreased to the current level of \$5.8 million in 2018-Q1. The trend line indicates an increase in sales tax revenue in a first quarter-per-quarter analysis, which the exception of the current first quarter. For 2018-Q1, the United States Department of Commerce reported that the United States economy grew by 2% (gross domestic product) and Cerritos sales tax decreased by 8.4% from the previous year. Please note that in the Spring 2018 Economic Profile report, it was reported that sales of vehicles at the Cerritos Auto Square decreased by 10.8% during 2018-Q1, which may account for the decrease in sales tax revenue for 2018-Q1.

First Quarter Trend Analysis



First Quarter Analysis

2015-Q1	2016-Q1	2017-Q1	2018-Q1
\$5,874,552	\$6,321,388	\$6,428,511	\$5,890,619

2018-Q1 United States Gross Domestic Product (GDP): 2% increase from the previous year
 2018-Q1 Cerritos Sales Tax: 8.4% decrease from the previous year

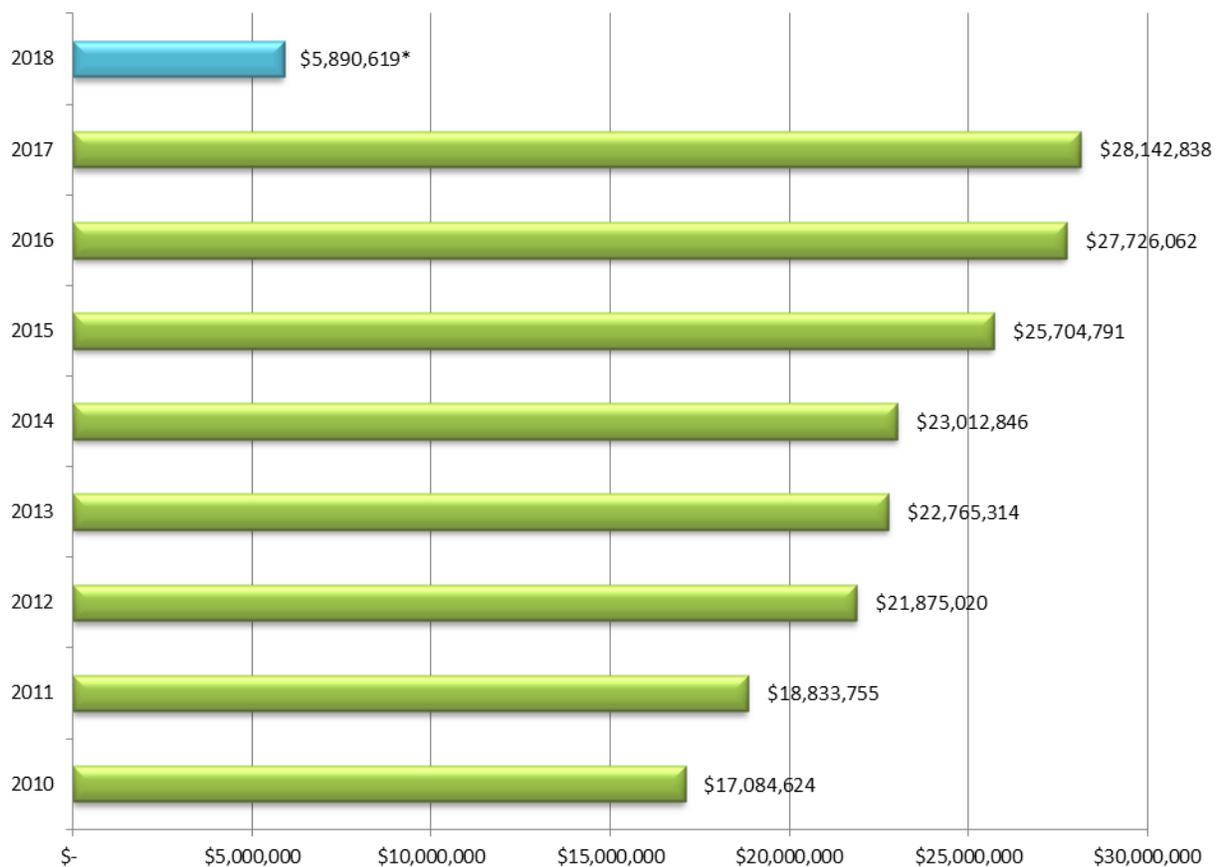
Major Revenues

Sales Tax – Annual Trend Analysis and Projection

Based on a trend analysis of sales tax data from 2010 to 2017, annual sales tax has increased incrementally each year. This annual incremental increase is a positive sign for the local economy for Cerritos. From 2010 to 2017, sales tax increased significantly by \$11,058,214, amounting to a 64% increase over a seven year period.

In 2018-Q1, sales tax revenue generated was \$5,890,619 and City staff will monitor the next three quarters to determine the total revenue for calendar year 2018.

Sales Tax Revenue from 2010 to 2018



*Sales tax revenue through 2018-1.

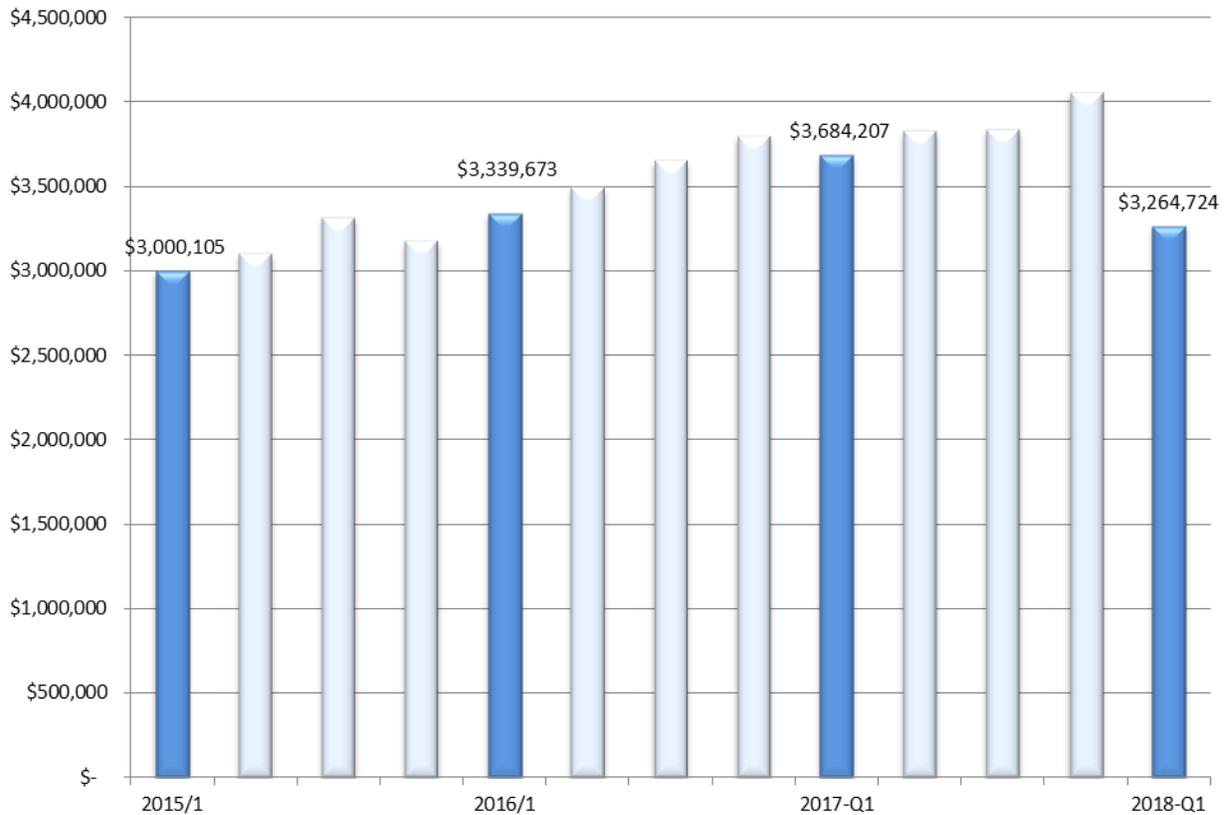
2010	2011	2012	2013	2014	2015	2016	2017
\$17 M	\$18 M (10%) ↑	\$21 M (16%) ↑	\$22 M (4%) ↑	\$23 M (1%) ↑	\$25 M (11%) ↑	\$27 M (7%) ↑	\$28 M (1%) ↑

Major Revenues

Sales Tax – Cerritos Auto Square

The Cerritos Auto Square generated the greatest amount of sales tax of any business sector in the City during 2018-Q1 (approximately \$3.2 million). In a quarter-to-quarter comparison, 2018-Q1 (\$3.2 million) decreased from 2017-Q1 (\$3.6 million) or a decrease of \$419,482 which equates to 11.4%. Additionally, 2018-Q1 was slightly lower than 2016-Q1 by 2.2% or \$74,949. However, sales tax revenue from the Cerritos Auto Square is averaging \$3.5 million from 2015-Q1 to 2018-Q1. Sales tax from the Cerritos Auto Square also includes sales of auto parts, accessories, and servicing of vehicles, which are all offered by the dealers. Please note that in the Spring 2018 Economic Profile report, it was reported that sales of vehicles at the Cerritos Auto Square decreased by 10.8% during 2018-Q1, which may account for the decrease in sales tax revenue for 2018-Q1. The Cerritos Auto Square had record breaking years in auto sales during 2016 and 2017, which may account for the higher revenues during these years.

Cerritos Auto Square
 Overall Average: \$3,504,064
 First Quarter Average: \$3,322,177



2015-Q1 to 2018-Q1

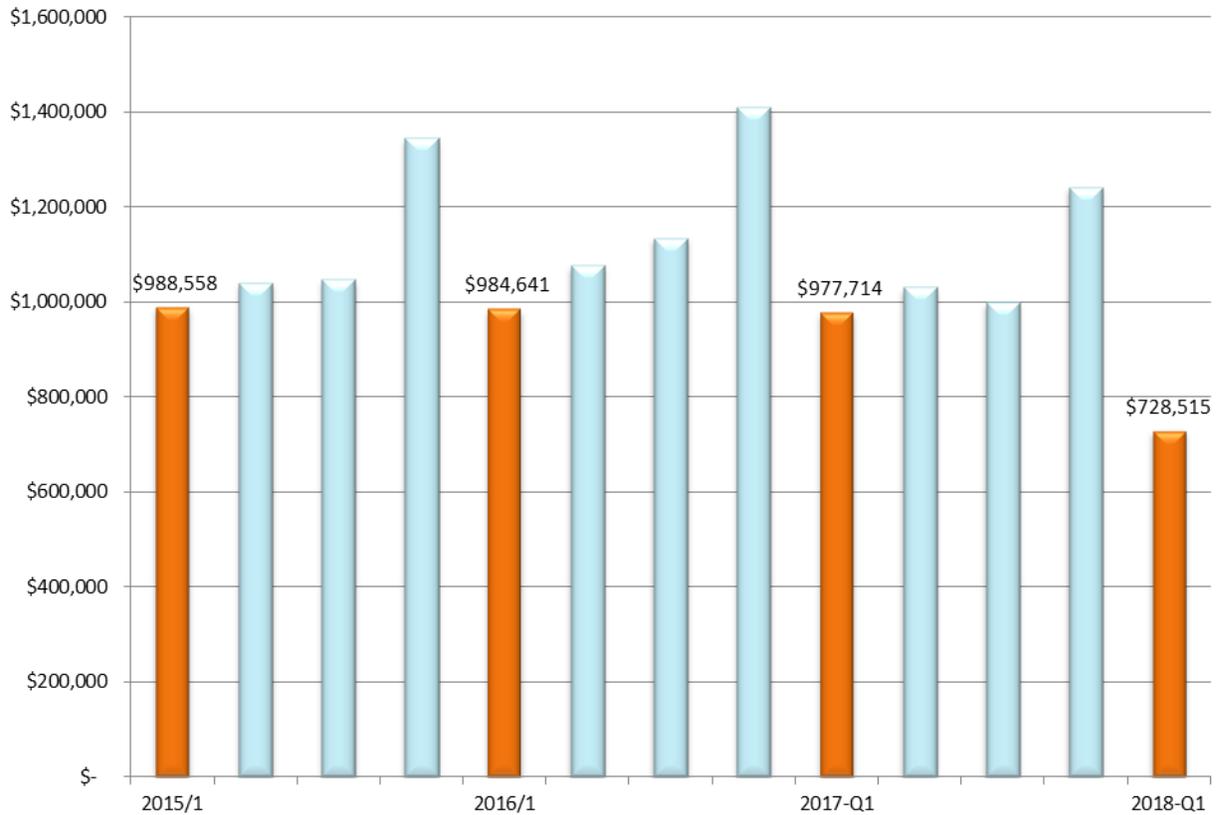
2015-Q1	2016-Q1	2017-Q1	2018-Q1
\$3,000,105	\$3,339,673	\$3,684,207	\$3,264,724

Major Revenues

Sales Tax – Los Cerritos Center

In 2018-Q1, the Los Cerritos Center generated the second highest amount of sales tax revenue for the City’s General Fund at \$728,515. Based on the trend analysis, the average sales tax revenue over the past four years during the first quarter was approximately \$919,857. From 2015-Q1 to 2017-Q1, sales tax revenue remained constant (averaging \$983,637) and then decreased in 2018-Q1 to \$728,515, which equates to a 25.5% decrease (\$249,199). According to the United States Census Bureau, E-commerce sales increased by 16.4% in the first quarter, which may account for 2017-Q1 sales tax decrease at the Los Cerritos Center. In total, the Los Cerritos Center averaged \$1 million from 2015-Q1 to 2018-Q1 (including all quarters from 2015 to 2017).

Los Cerritos Center
 Overall Average: \$1,077,148
 First Quarter Average: \$919,857



2015-Q1 to 2018-Q1

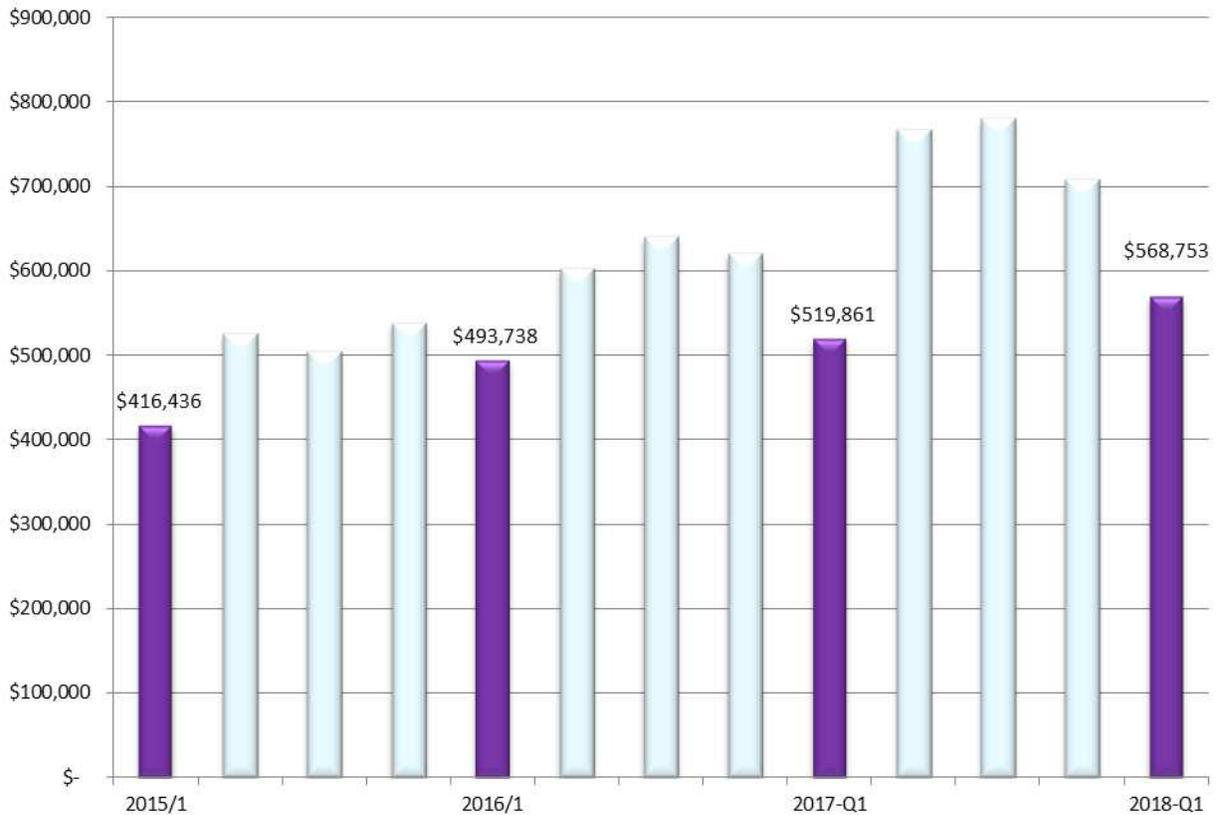
2015-Q1	2016-Q1	2017-Q1	2018-Q1
\$988,558	\$984,641	\$977,714	\$728,515

Major Revenues

Sales Tax – Cerritos Industrial Park

The Cerritos Industrial Park is the third highest sales tax generator in Cerritos. The Cerritos Industrial Park generated \$568,753 in sales tax revenue in 2018-Q1, which is a 9.4% increase from 2017-Q1 (\$48,892 increase). Based on the trend analysis, sales tax revenue at the Cerritos Industrial Park has progressively increased each first quarter from 2015-Q1 to 2018-Q1. According to the United States Census Bureau (U.S. Census), sales of total manufacturing and trade industries increased nationwide by 2.5% for 2018-Q1. The Cerritos Industrial Park sales tax increase of 9.4% exceeded national averages of 0.8% for 2018-Q1 for manufacturing corporations, as reported by the U.S. Census. Based on this data, the Cerritos Industrial Park exceeded national averages in terms of productivity and sales for the first quarter. During 2018-Q1, the City maintained a low industrial vacancy rate of 4%, which resulted in more businesses operating and generating sales tax.

Cerritos Industrial Park
 Overall Average: \$591,406
 First Quarter Average: \$499,697



2015-Q1 to 2018-Q1

2015-Q1	2016-Q1	2017-Q1	2018-Q1
\$416,436	\$493,738	\$519,861	\$568,753

Major Revenues

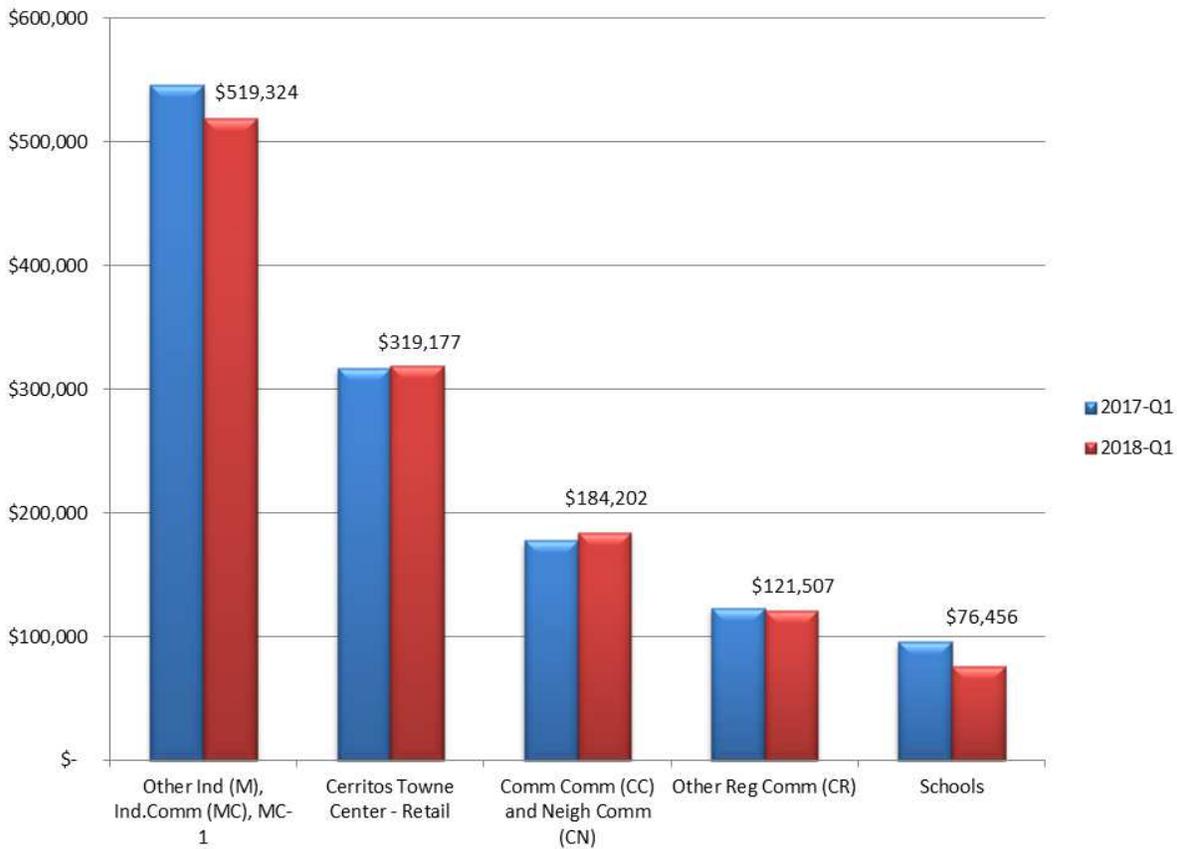
Other Sectors

As mentioned previously, the majority of Cerritos sales tax is generated by the Cerritos Auto Square, Los Cerritos Center, and the Cerritos Industrial Park. Additionally, there are five other sectors that also contribute towards generating sales tax for the City for 2018-Q1, as shown in the graph provided below.

Of the five sectors, the Other Industrial (M), Industrial Commercial (MC), and Industrial Commercial One (MC-1) sectors generated the greatest amount of sales tax during 2018-Q1 at \$519,324. These sectors include businesses operating in these zones which are not part of the Cerritos Industrial Park. Business in the Industrial Commercial zone may include retail sales, machine shops, wholesaling and warehousing. These businesses are located in the industrial zone along Alondra Boulevard and Carmenita Road (north east section of the City) and businesses located along Valley View Boulevard (eastern section of the City bordering the City of Buena Park and the City of La Mirada).

In a year to year comparison, the Cerritos Towne Center and Community Commercial/Neighborhood Commercial experienced an increase in sales tax revenue over the same quarter during the previous year. The retail component of the Cerritos Towne Center experienced a 0.5% increase and the Community Commercial/Neighborhood Commercial areas experienced a 3.5% increase from the previous year.

Other Sectors



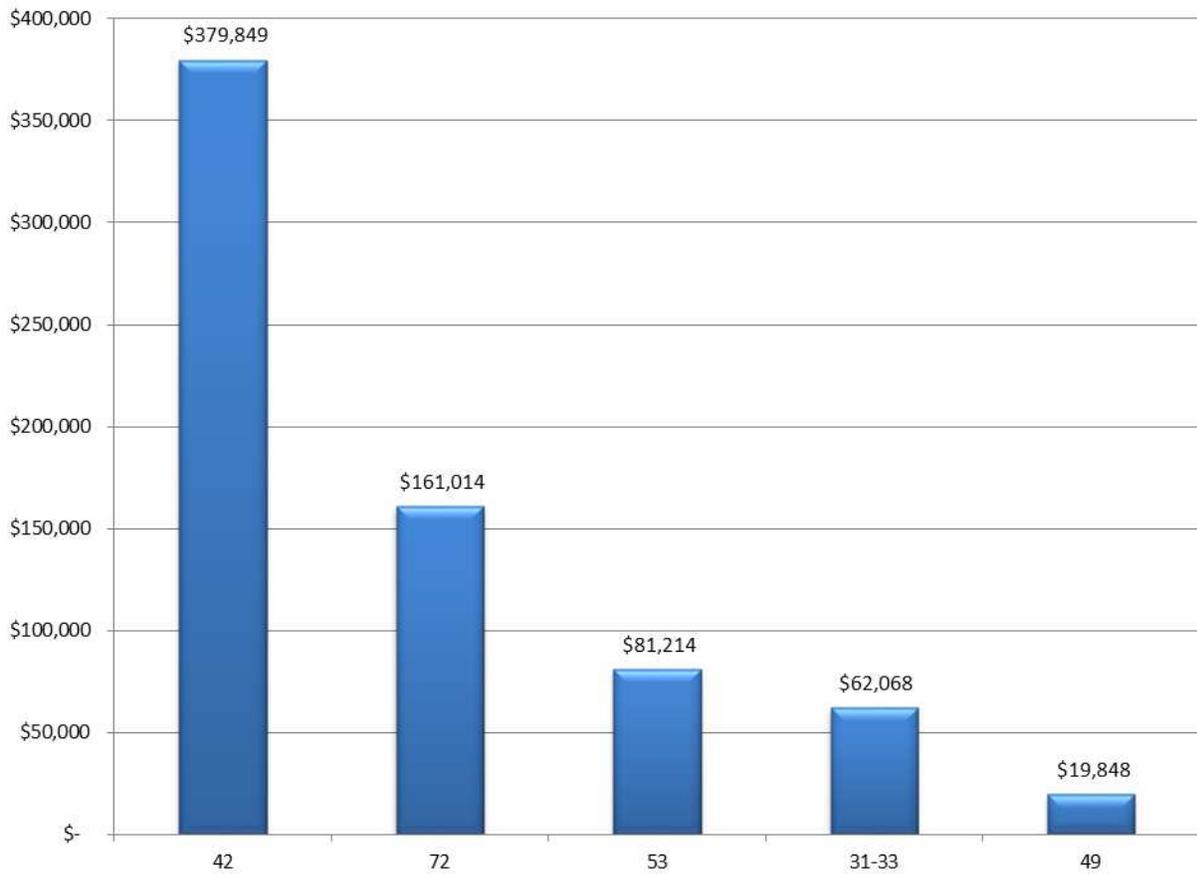
Other Industrial Commercial	Towne Center Retail	Community Commercial and Neighborhood Commercial	Other Regional Commercial	Schools
\$519,324	\$319,177	\$184,202	\$121,507	\$76,456
(↓ 4.9%)	(↑ 0.5%)	(↑ 3.5%)	(↓ 1.2%)	(↓ 20.1%)

Major Revenues

Top Five Sectors By NAICS Code

In Cerritos, the Retail Trade NAICS sector generated \$4 million in sales tax revenue for 2018-Q1 or 70% of total sales tax revenues generated during 2018-Q1. However, there are other sectors identified by the North American Industry Classification System (NAICS) that generate sales tax for the City. Code 42 (Wholesale Trade) generated the highest sales tax at \$379,849. Additionally, Code 72 (Accommodation and Food Services) generated \$161,014, Code 53 (Real Estate Rental and Leasing) generated \$81,214, Code 31-33 (Manufacturing) generated \$62,068, and Code 49 (Transportation and Warehousing) generated \$19,848 in sales tax revenue.

Top Five Sectors – NAICS Code



42	72	53	31-33	49
\$379,849	\$161,014	\$81,214	\$62,068	\$19,848

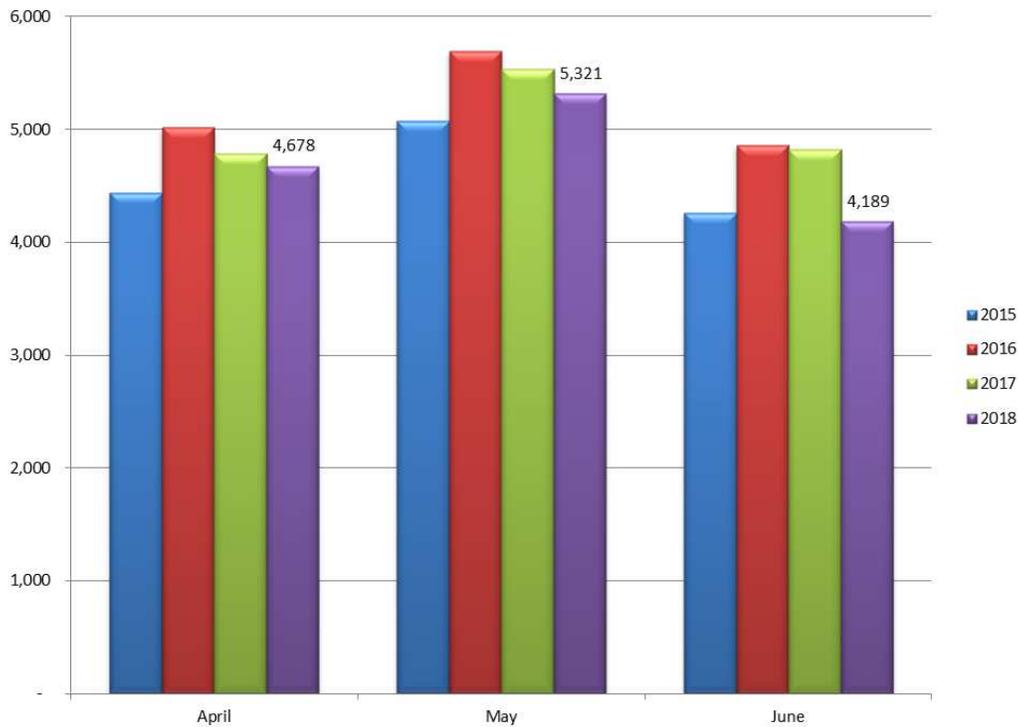
Major Revenues

Auto Sales

Cerritos is well known for the Cerritos Auto Square—the world's first and most successful auto mall. With 23 dealerships, the Cerritos Auto Square is located on Studebaker Road off the 605 Freeway at South Street. Developed in the early 1980's, in partnership with the City of Cerritos and the former Cerritos Redevelopment Agency, the Cerritos Auto Square generates approximately half of the City's sales tax revenue each year.

For 2018-Q2, vehicle sales decreased by 6.3% from the previous year's all-time high. In a quarter-to-quarter comparison, in 2018-Q2 a total of 14,188 vehicles were sold, which was a decrease of 962 cars from the previous year (15,150 vehicles sold in 2017-Q2). As reported in the preliminary City of Cerritos Combined Financial Program 2018-2019, in January 2018, the average price paid for a passenger vehicle in the United States hit a record high of \$36,270, which may have attributed to the decrease in vehicle sales in the Cerritos Auto Square. Additionally, interest rates for the purchase of new and used vehicles are increasing. According to Bankrate.com, interest rate for a 60 month loan for a new vehicle is 4.78% and 4.75% for a 48 month loan. For a used car, a 36 month loan is on average is at 5.33%. These higher interest rates for the purchase of a vehicle may also have contributed to slower sales at the Cerritos Auto Square.

Second Quarter - Number of Vehicles Sold in Cerritos Auto Square, Four Year Period



Cars Sold During the Second Quarter

	April	May	June	Q2 Total
2015-Q2	4,437	5,080	4,259	13,776
2016-Q2	5,016	5,694	4,860	15,570
2017-Q2	4,789	5,539	4,821	15,150
2018-Q2	4,678	5,321	4,189	14,188

2018-Q2 Total: 14,188
 2017-Q2 Total: 15,150
 Difference: (-962)

2018 Totals (January to June): 27,595
 2017 Totals (January to June): 29,238
 Difference: (-1,643)

Major Revenues

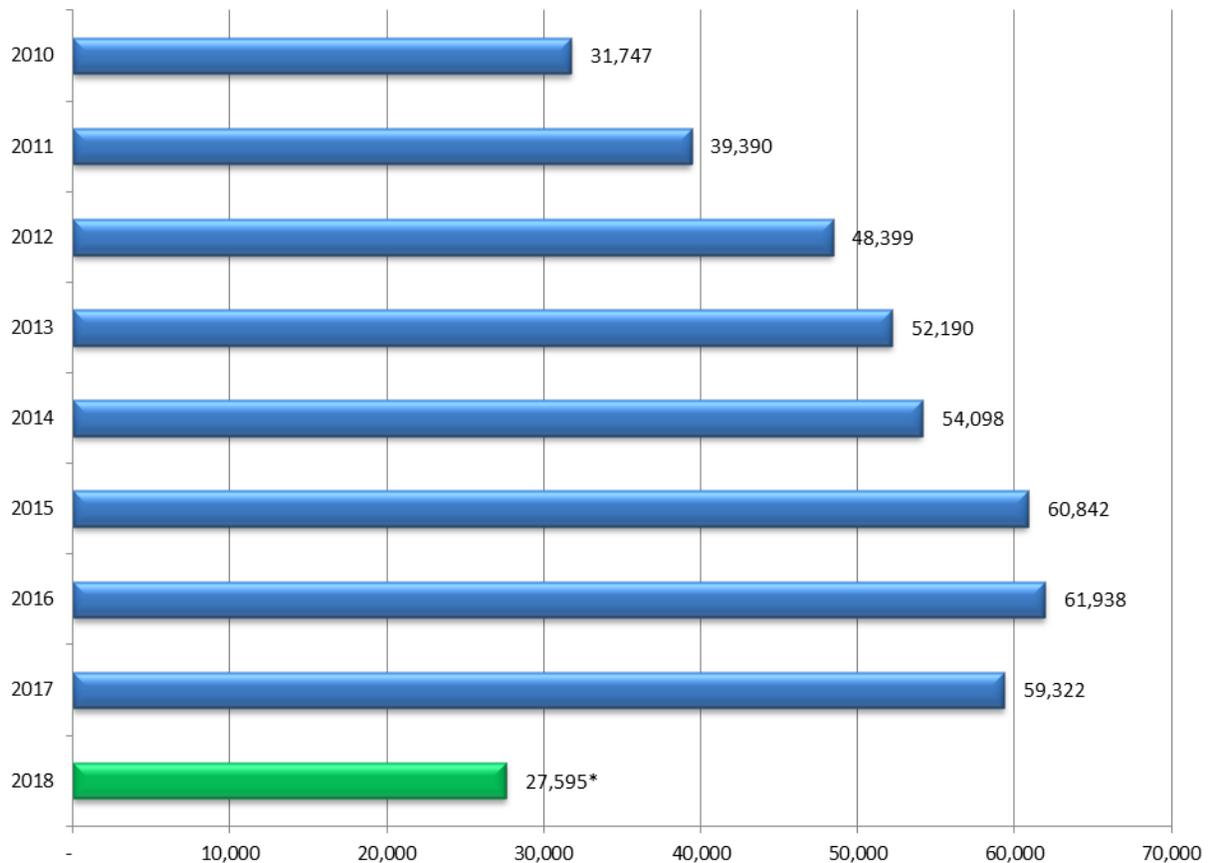
Auto Sales – Annual Totals

The Cerritos Auto Square experienced a decline in vehicle sales in 2017 (59,322) over sales in 2016 (61,938), which amounts to a reduction of 4.2% from the previous year (-2,616 vehicles). The 2017 calendar year marked a slight reduction in vehicle sales; however, the Cerritos Auto Square sales were similar to a record breaking year in 2015 and 2016 and amounted to the Cerritos Auto Square’s third highest sales year. The Cerritos Auto Square experienced three record breaking years, which contributed to the overall sales tax revenue for the City.

The Cerritos Auto Dealers Association has been compiling data since 1993 in order to conduct annual sales comparisons. From 1993 to 2017, a total of 1,197,180 cars have been sold, equating to an annual average of 47,887 vehicles. All sales data is provided to the City from the Cerritos Auto Dealers Association to the City on a weekly basis.

Trend Analysis – 2010 to 2017

2010	2011	2012	2013	2014	2015	2016	2017
31,747	39,390	48,399	52,190	54,098	60,842	61,938	59,322



*Auto sales through the second quarter.

Total Sales – 1993 to 2017

Total Sales: 1,197,180

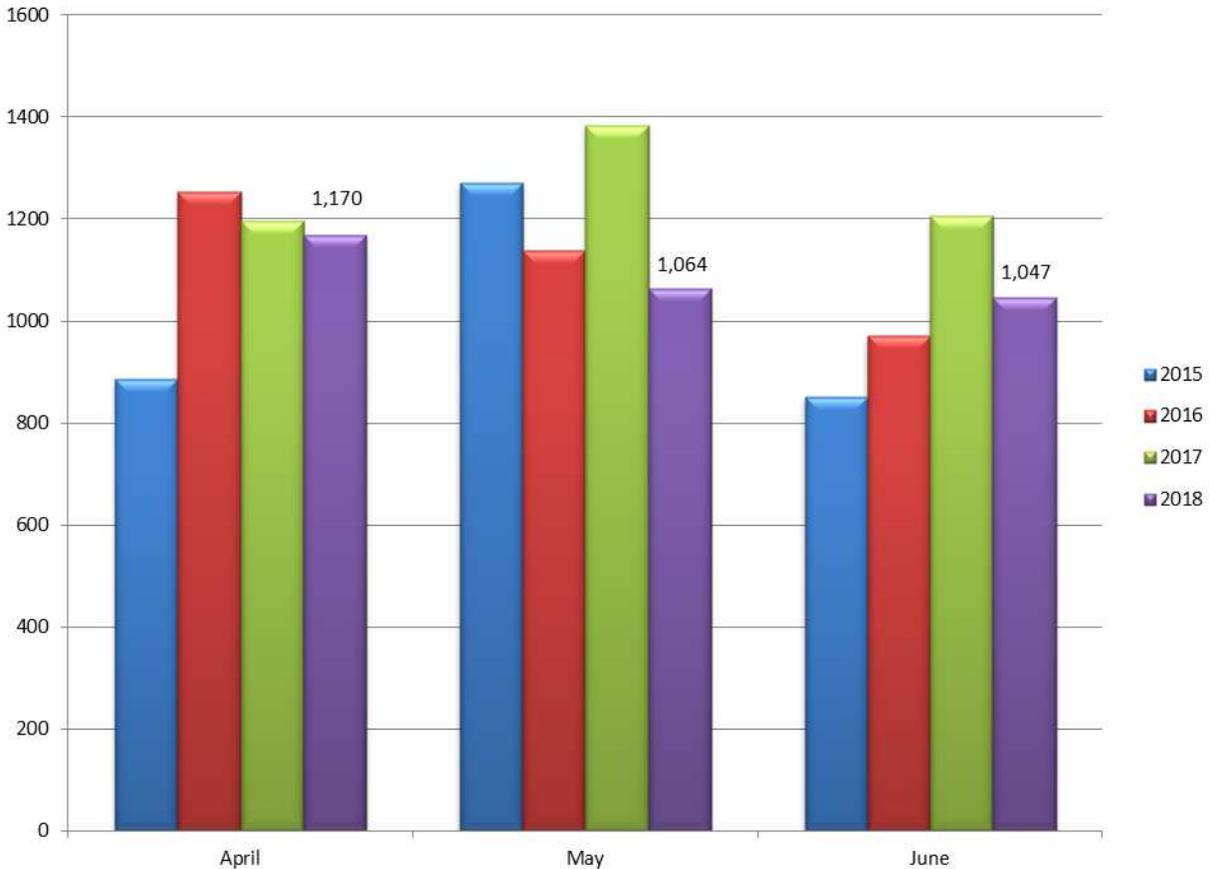
Average Sales Per Year: 47,887

Major Revenues

Auto Sales – Weekly Averages

Based on a trend analysis, the average number of vehicles sold per week during the second quarter in 2018 were lower than the average number of vehicles sold per week from the previous year. However, the weekly averages of vehicles sold during 2018-Q2 were above the 1,000 mark and these averages were comparable to 2017-Q2 and 2016-Q2, which were record breaking years in total vehicles sold.

Weekly Averages: 2015-Q2 to 2018-Q2



Average Number of Vehicles Sold Per Week – Second Quarter

Quarter	April	May	June
2015-Q2	887	1,270	852
2016-Q2	1,254	1,139	972
2017-Q2	1,197	1,385	1,205
2018-Q2	1,170	1,064	1,047

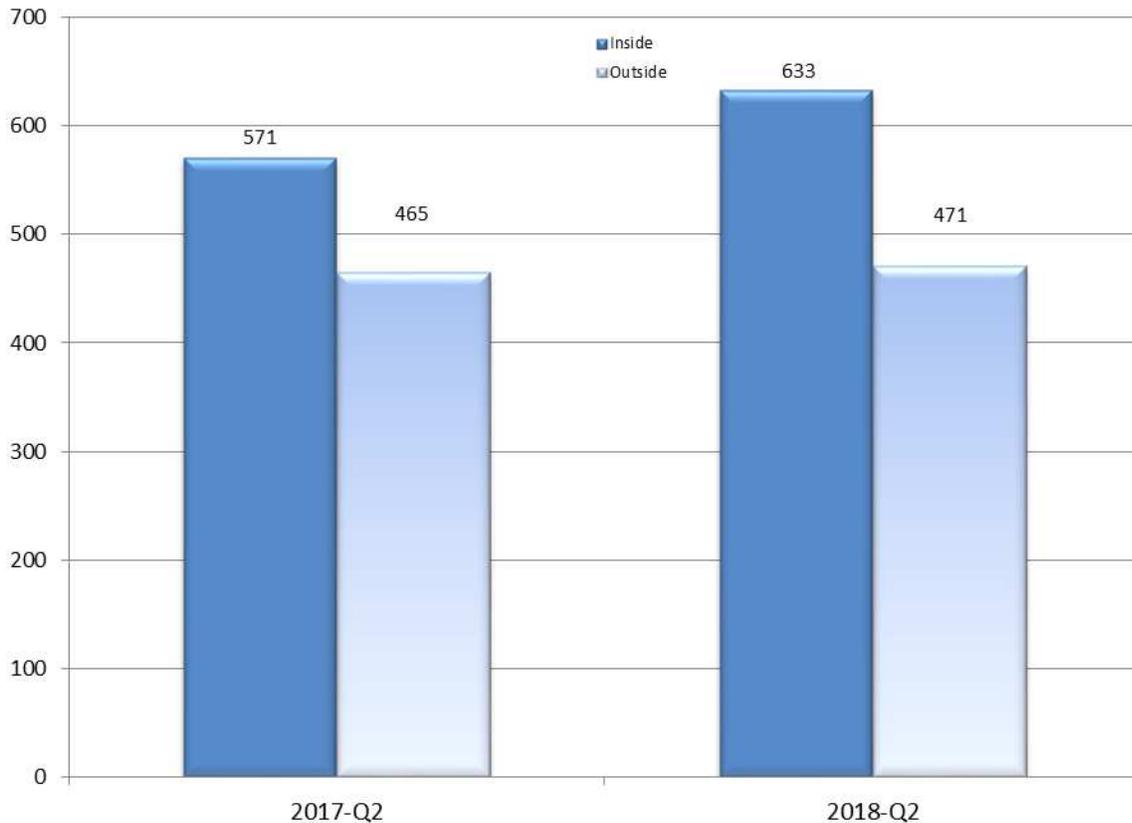
2018-Q2 Total: 3,281
 2017-Q2 Total: 3,787
 Difference: (-506)

Major Revenues

Business License

The tracking of new and renewed business licenses is one method of forecasting business growth in the City. For 2018-Q2, a total of 1,104 new and renewal business licenses were processed by the City, which is an increase of 6.6% from 2017-Q2 (an increase of 68 new and renewal of business licenses processed). With the issuance of 1,104 new and renewal business licenses issued in 2018-Q2, the City generated \$320,069 in business license fees for the General Fund during this quarter.

2018-Q2 New and Renewal of Business Licenses – Located in Cerritos and Located Outside Cerritos



2018-Q2 New and Renewal of Business Licenses

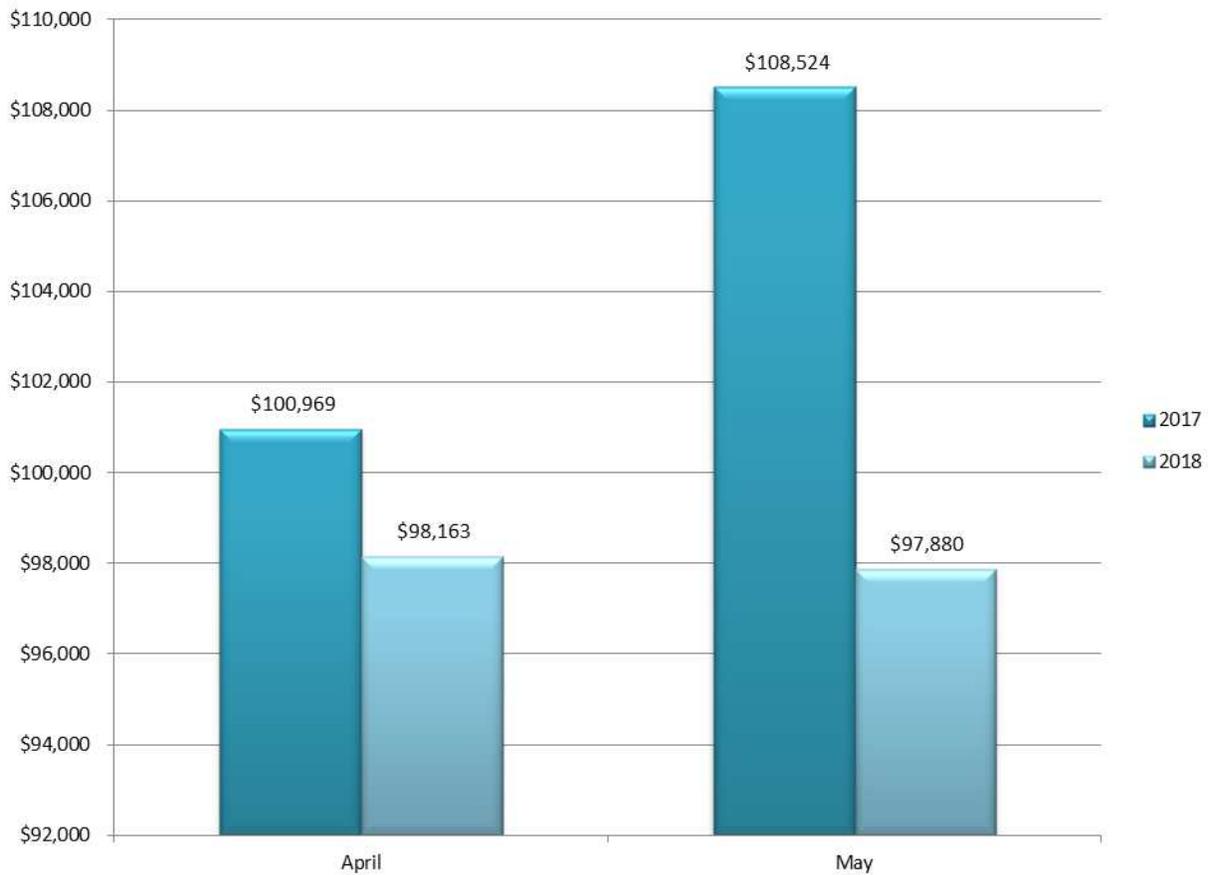
2018-Q2 Total New and Renewal of Business Licenses: 1,104
2017-Q2 Total New and Renewal of Business Licenses: 1,036
Difference: 68
2018-Q2 Total Revenue: \$320,069

Major Revenues

Transient Occupancy Tax (TOT)

Occupancy by individuals at any hotel located in the City is subject to a Transient Occupancy Tax in the amount of twelve percent (12%) of the room rate charged by the hotel operator. This tax is commonly referred as a TOT. In the first two months of 2018-Q2, the City received a total of \$196,043 in TOT revenue, which is a slight decrease of \$15,467 in TOT revenue collected by the City during the first two months of 2017-Q2 (\$211,510). During 2018-Q2, April 2018 was the highest TOT generating month with \$98,183 in TOT revenue. Please note that June 2018 data was not available at the time of the preparation of this report.

2018-Q2 Transient Occupancy Tax



2018-Q1 Total Revenue

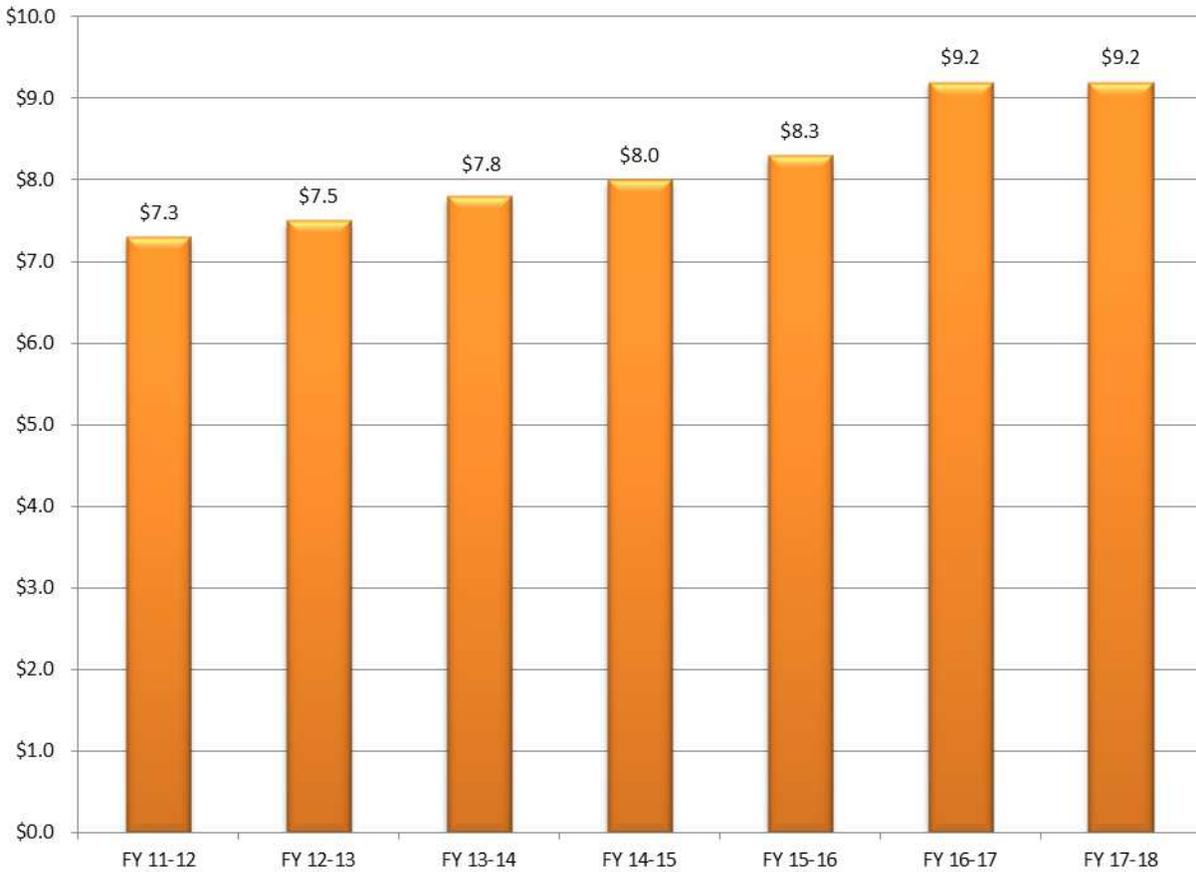
2018-Q2 Total Revenue: \$196,043
2017-Q2 Total Revenue: \$211,510
Quarter Difference: (-\$15,467)
Percentage Difference: (-7.3%)

Major Revenues

Assessed Valuation

An assessed valuation is a value assigned to property by a municipality for the purpose of tax assessment. Based on a report developed by the City's financial consultant, the City's assessed valuation for all properties located within the City of Cerritos is at \$9,237,777,725 (FY 17-18). Based on a trend analysis, the City's assessed valuation has increased each year from Fiscal Year 2011-2012 through Fiscal Year 2017-2018. From FY 2016-2017 to FY 2017-2018, the City's assessed valuation increased slightly by 0.01% or \$1,090,020.

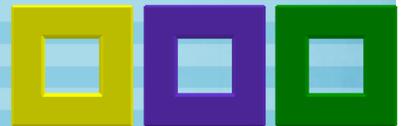
**City of Cerritos Assessed Valuation
Seven Year Time Line**



FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18
\$7.3 billion	\$7.5 billion	\$7.8 billion	\$8.0 billion	\$8.3 billion	\$9.2 billion	\$9.2 billion



Unemployment



Unemployment

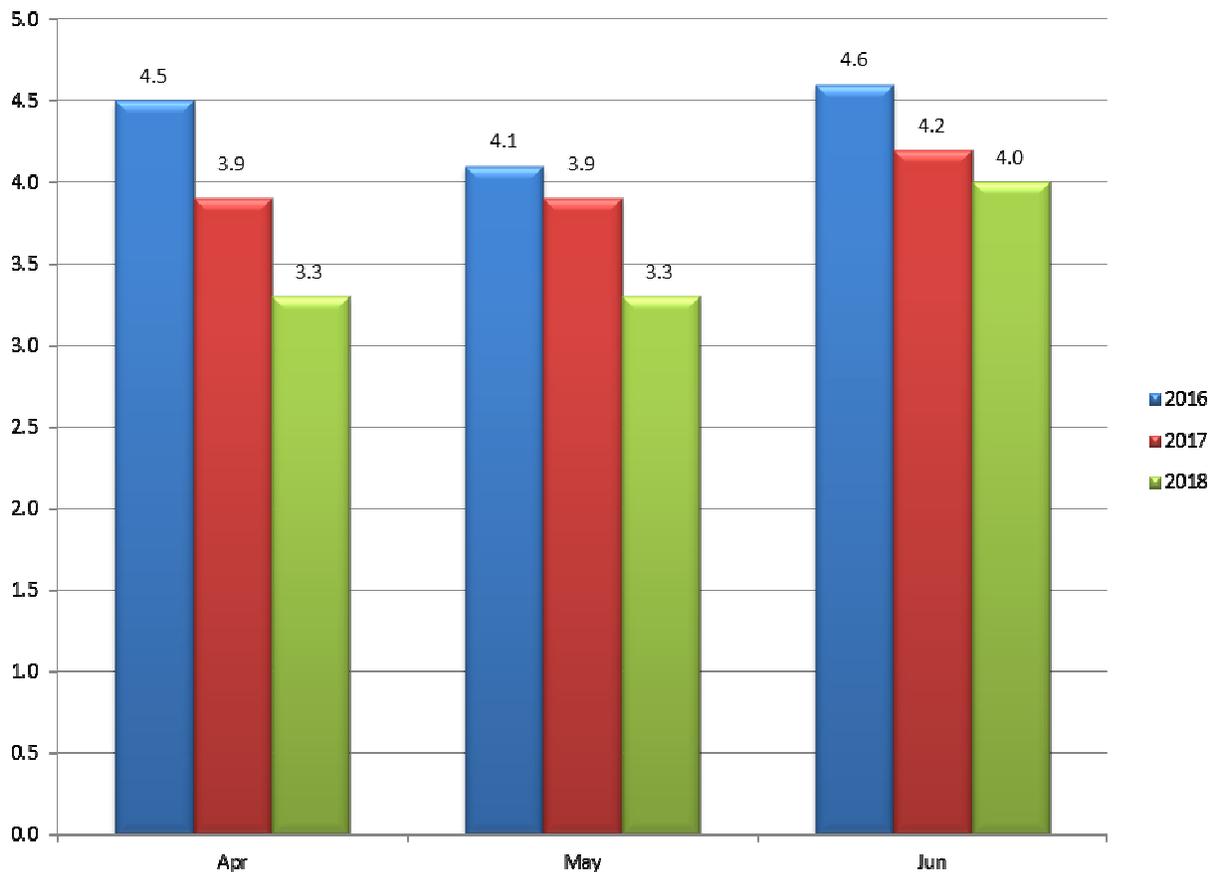
Current Rate

According to the State of California Employment Development Department, the unemployment rate among Cerritos residents in June 2018 was approximately 4.0%, which was a decrease from the previous year during the same month. In June 2017, the unemployment rate was at 4.2%, which was higher than June 2018. Additionally, the unemployment rates for April 2018 and May 2018 were lower than the previous years. Cerritos still maintains a relatively low unemployment rate and this may be attributed to the low overall vacancy rate for real estate (currently at 4.0% for 2018-Q2).

City of Cerritos Quarterly Unemployment Rate

August 2017	December 2017	March 2018	June 2018*
4%	3.1%	3.4%	4.0%

Unemployment Rate – Quarterly Comparison
2016 to 2018



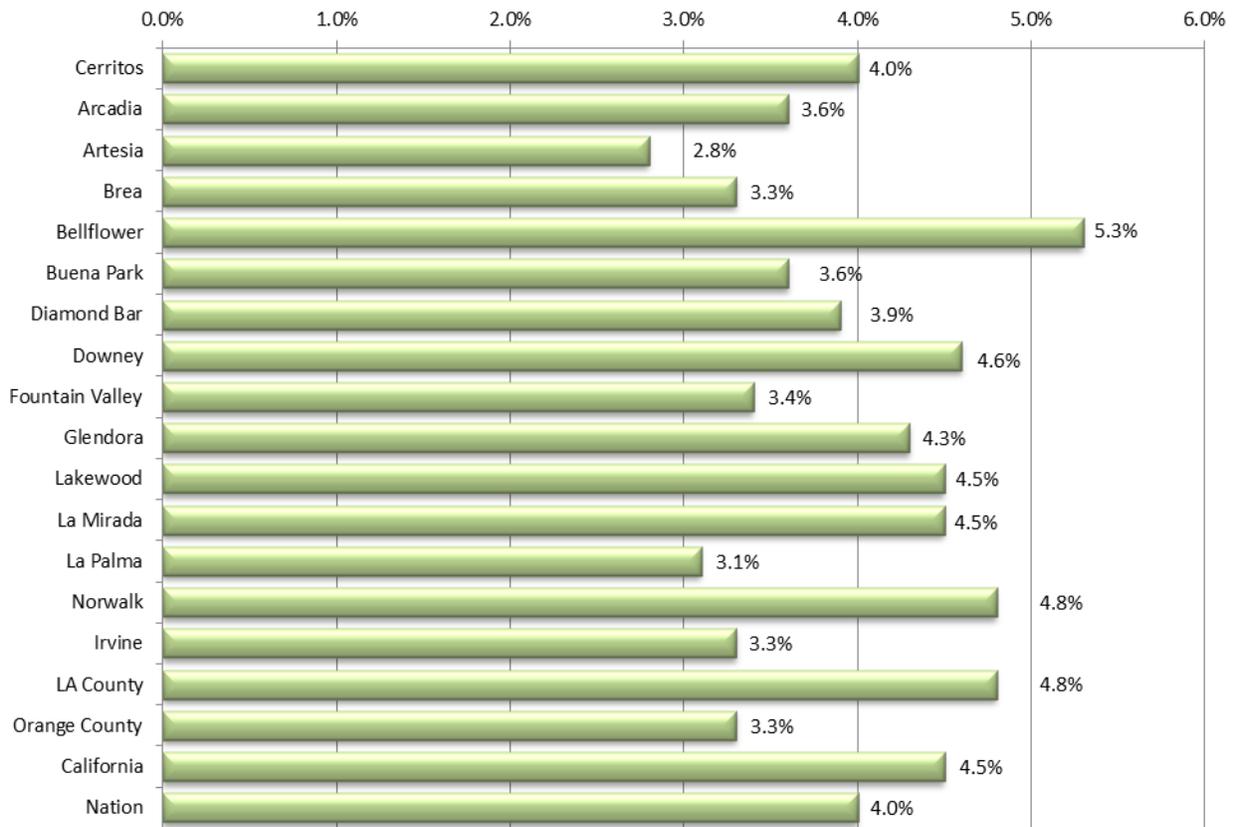
*Please note that June 2018 numbers are preliminary, based on the State of California Employment Development Department.

Unemployment

Surrounding Cities, Comparable Cities, and Counties

According to the California Employment Development Department, the unemployment rate among Cerritos residents in June 2018 was approximately 4.0%, which is lower than nearby cities, such as Bellflower (5.3%), Downey (4.6%), Lakewood (4.5%), and Norwalk (4.8%). Additionally, the Cerritos unemployment rate was lower than Los Angeles County (4.8%) and the State of California (4.5%). Cerritos' unemployment rate of 4.0% was the same as the national average.

**Unemployment Rate – Surrounding Cities and Comparable Cities
June 2018***



Comparable Cities Unemployment Rate – June 2018

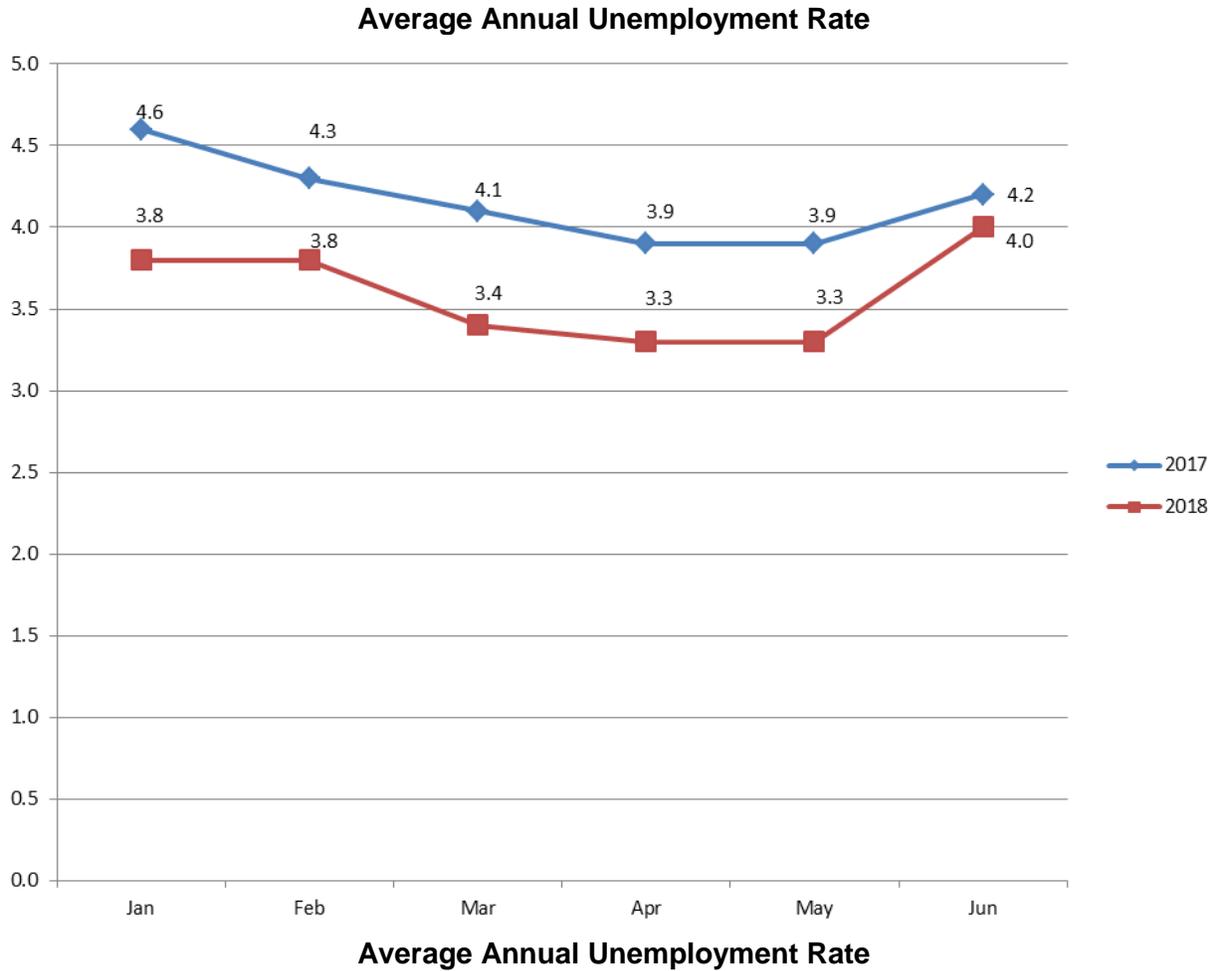
City	2017	2018	Difference
Cerritos	4.2%	4.0%	↓ 0.2%
Brea	3.4%	3.3%	↓ 0.1%
Diamond Bar	3.8%	3.9%	↑ 0.1%
Fountain Valley	3.9%	3.4%	↓ 0.5%
Glendora	4.3%	4.3%	No Change
Irvine	3.6%	3.3%	↓ 0.3%

*Please note that June 2018 numbers are preliminary, based on the State of California Employment Development Department.

Employment

Annual Unemployment Rate

Currently, the average unemployment rate during 2018-Q2 is 3.5% (April 2018 to June 2018), which is lower than the average of 4.0% during 2017-Q2. Based on a trend analysis from January 2018 to June 2018, the unemployment rate has dropped from 3.8% in January 2018 to a low of 3.3% in May 2018 and then increased slightly to 4.0% in June 2018. The 2018 trend line indicates no significant increases over the first two quarters, and overall the 2018 trend line shows lower unemployment in Cerritos for each month in 2018, when compared to each month in 2017.

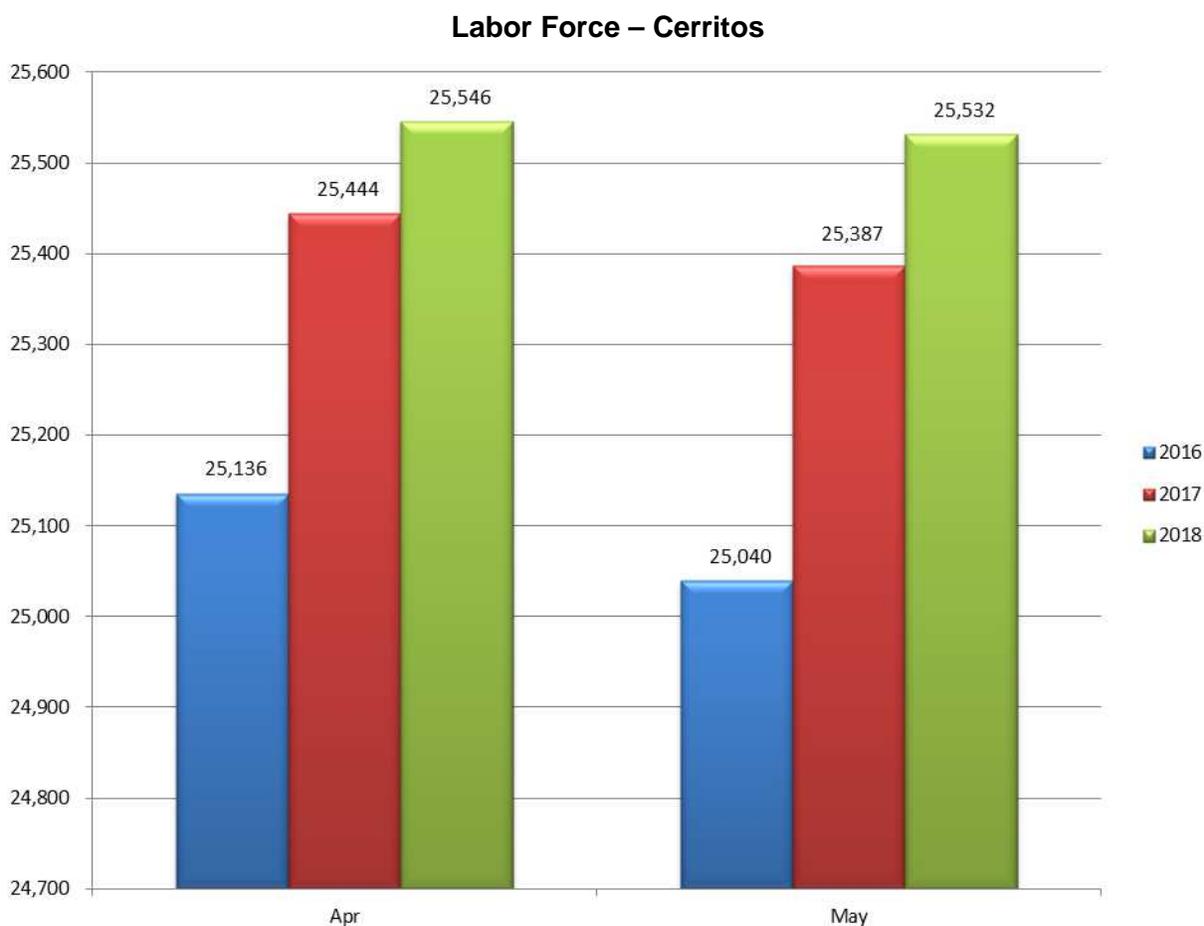


2013	2014	2015	2016	2017	2018
7.3%	6.1%	5.0%	3.9%	3.0%	TBD

Employment

Labor Force

According to the United States Bureau of Labor and Statistics, labor force refers to the sum of all employed and unemployed individuals in the economy. In Cerritos, there were 25,532 persons in the local workforce during May 2018, an increase of 145 persons from May 2017 (25,387). Additionally, April 2018 experienced an increase of 102 individuals in the labor force, when compared to April 2017. For the first two months in 2018-Q2, the labor force averaged 25,539 persons, which is an increase from 2017-Q2, which averaged 25,416 persons. The increase of more persons in the labor force may be attributed to more persons employed in Cerritos with new developments completed and the low overall vacancy rate of 4%. Please note that June 2018 labor force data was not available at the time of the preparation of this report.



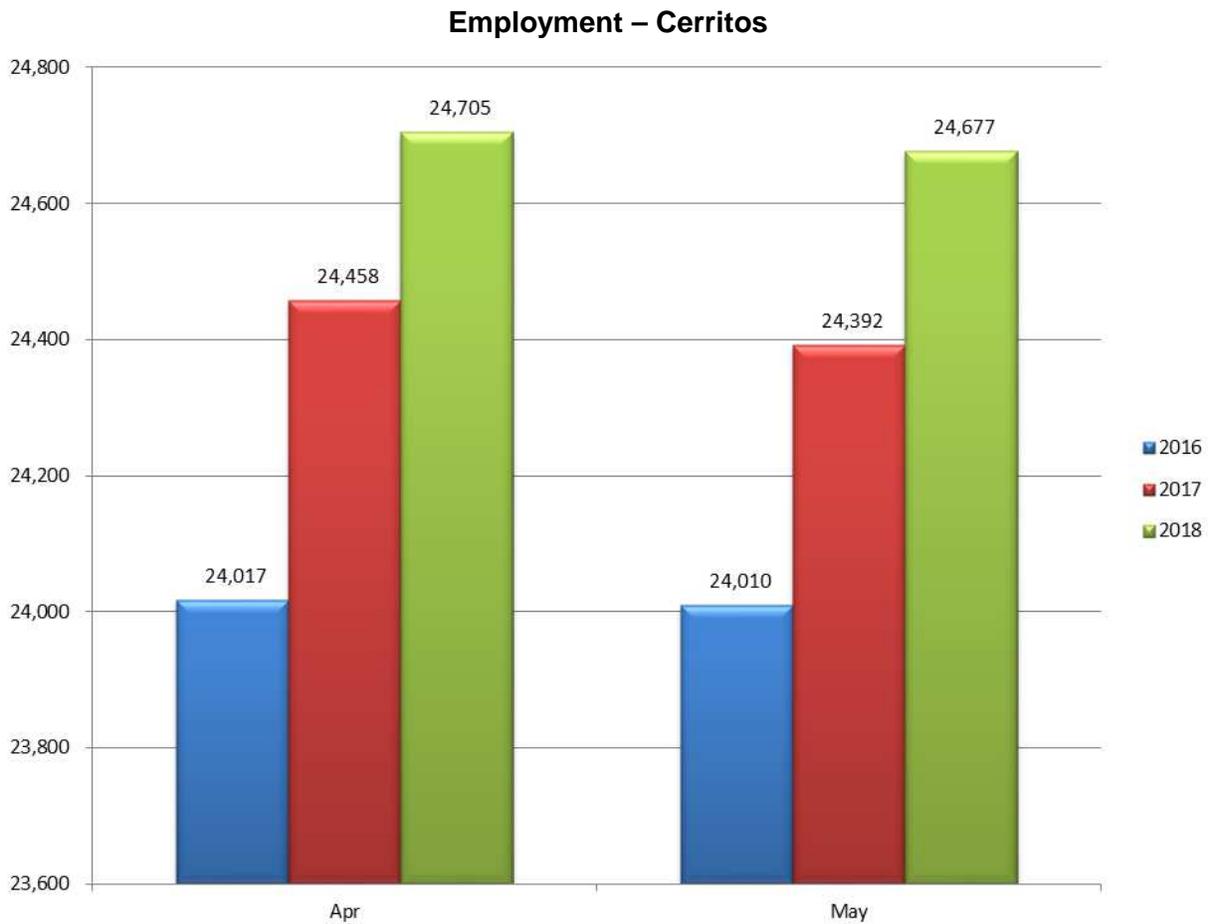
Annual Average Cerritos Labor Force

2013	2014	2015	2016	2017
24,187	24,502	24,441	24,551	25,521

Employment

Employment in Cerritos

In May 2018, there were 24,677 jobs within the City that employ both Cerritos residents and individuals that reside outside of Cerritos. Based on a one year trend analysis, employment increased from May 2017 (24,392 persons) to May 2018 (24,677 persons) by a total of 285 persons or 1.2%. Based on a three year trend analysis, May 2018 also experienced an increase in employment from May 2016, with an increase of 667 persons or a 2.9% increase. Additionally, employment from April 2016 to April 2018 increased by 688 persons, which amounts to a 2.8% increase over a three-year period. According to the employment data, the City is experiencing a continued increase in employment, which is a positive sign for the local economy. Please note that June 2018 employment data was not available at the time of the preparation of this report.



Annual Average Employment in Cerritos

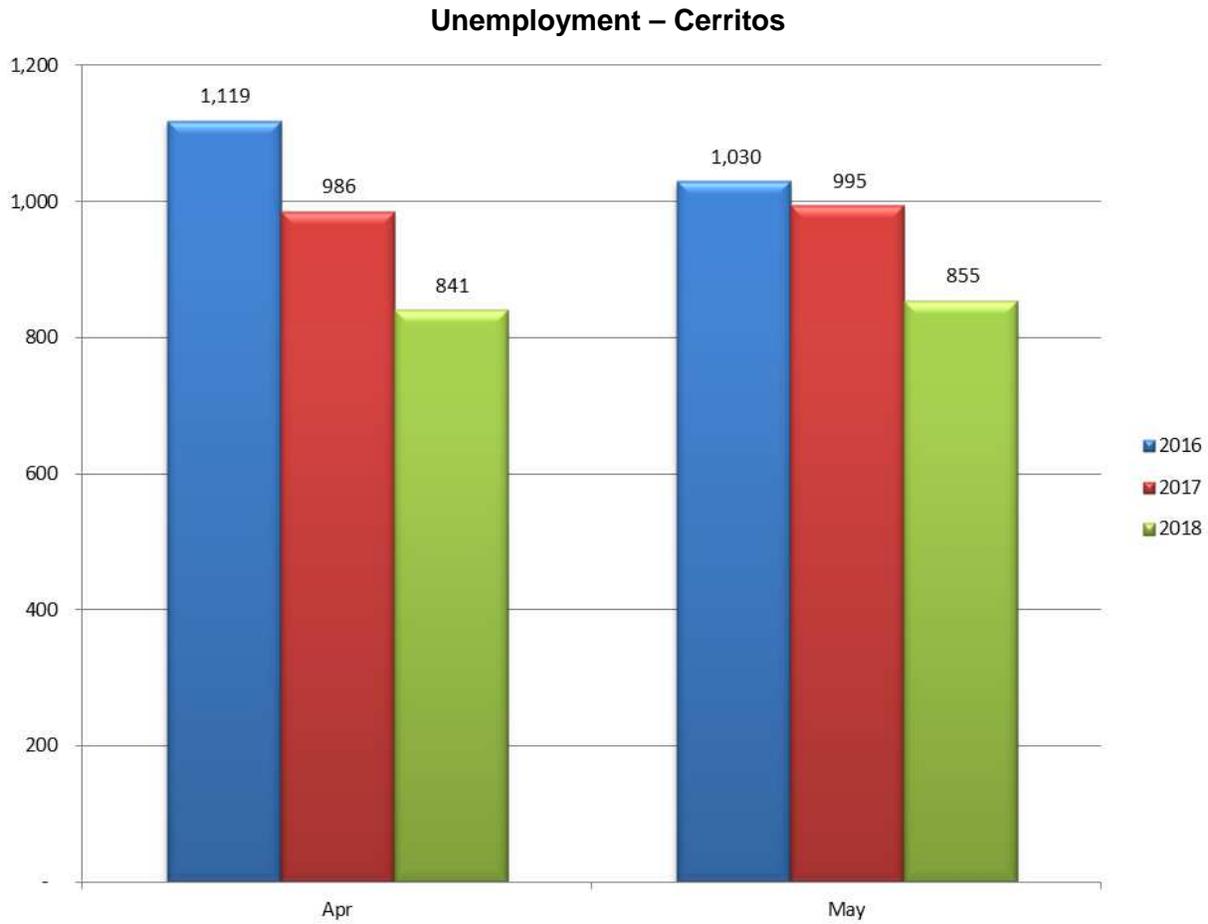
2013	2014	2015	2016	2017
22,422	22,996	23,224	25,568	24,477

Unemployment

Unemployment in Cerritos

According to the United States Bureau of Labor and Statistics, the number of individuals unemployed is calculated with the following formula: $\text{unemployment} = \text{labor force} - \text{employment}$. Based on the data from May 2018, there were currently 855 individuals unemployed in Cerritos in May 2018, which is a decrease of 140 persons when compared to May 2017 (955 unemployed) and a decrease of 175 persons when compared to May 2016 (1,030 unemployed). This trend indicates a continued decrease in unemployed persons over a three-year period for the second quarter, which is a positive sign for the City. For the first two months of 2018-Q2, unemployment averaged 848 persons, which is a decrease from 2017-Q2, which averaged 991 persons.

From 2013 through 2016, the average annual number of persons unemployed in the City of Cerritos decreased. While a minor increase in unemployment was reported from 2016 to 2017 (94 persons), the total average of unemployed persons remains low at 1,044 persons, which is a positive indicator that the local economy is growing when compared to surrounding and comparable cities. Please note that June 2018 unemployment data was not available at the time of the preparation of this report.

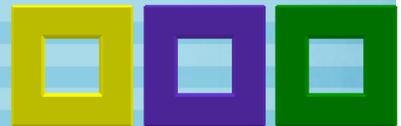


Annual Average Unemployed in Cerritos

2013	2014	2015	2016	2017
1,766	1,506	1,217	950	1,044



Commercial Real Estate



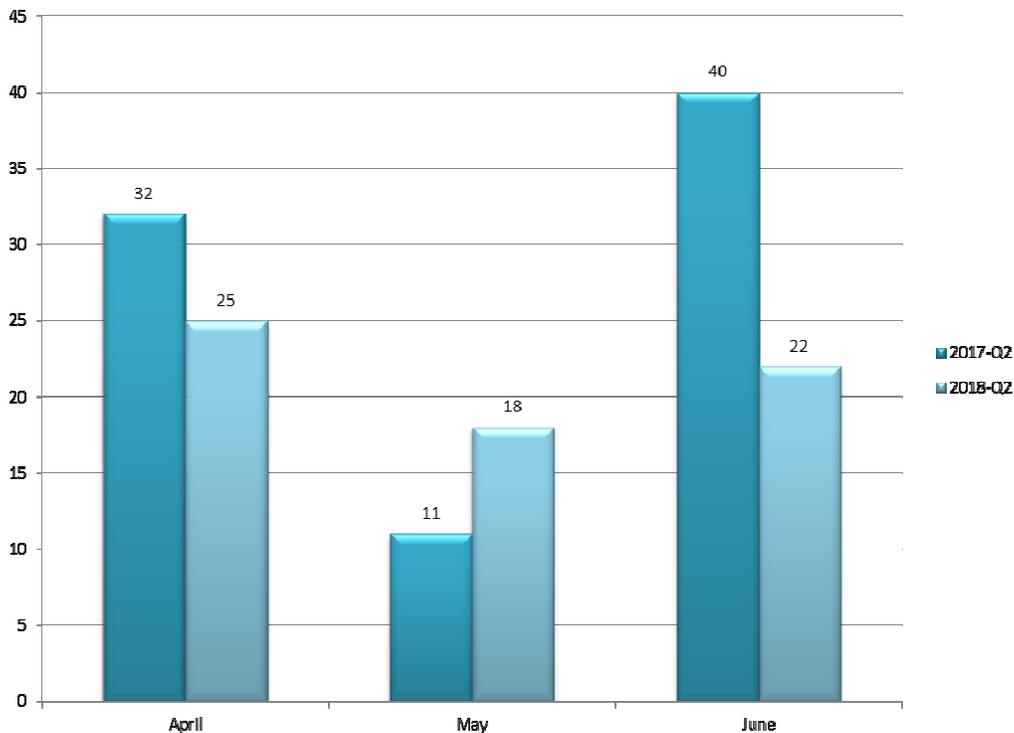
Commercial Real Estate

Certificate of Occupancy

The tracking of new buildings and the issuance of a Certificate of Occupancy (CO) is one method to determine the activity of commercial real estate in Cerritos. A CO is a required document issued by the City after the completion of construction and the final building department inspection for the purposes of authorizing occupancy. A high number of CO, new buildings, and tenant improvements are indications that the local economy is growing. For 2018-Q2, a total of 65 CO's were processed, which is an decrease of 18 CO's from the same quarter during the previous year. April 2018 experienced a high of 25 CO's during a one month period.

On a year-by-year comparison, CO's have increased every year from 2013 to 2017. In 2014, 231 CO permits were issued (21 CO increase) and in 2015, a total of 254 CO were processed (23 CO increase) by the Building and Safety Division. In 2016, CO increased by two, and then in 2017, CO once again increased by 16 from 2016. This slight increase in CO's is a positive sign for the City's commercial sector.

Certificates of Occupancy for 2018-Q2



Certificate of Occupancy – 2018

Jan	Feb	Mar	Apr	May	June
24	38	33	25	18	22
July	Aug	Sept	Oct	Nov	Dec

Annual Comparisons from 2013 to 2017

2013	2014	2015	2016	2017	2018
210	231	254	256	272	320*

*Forecast based on first two quarters of 2018.

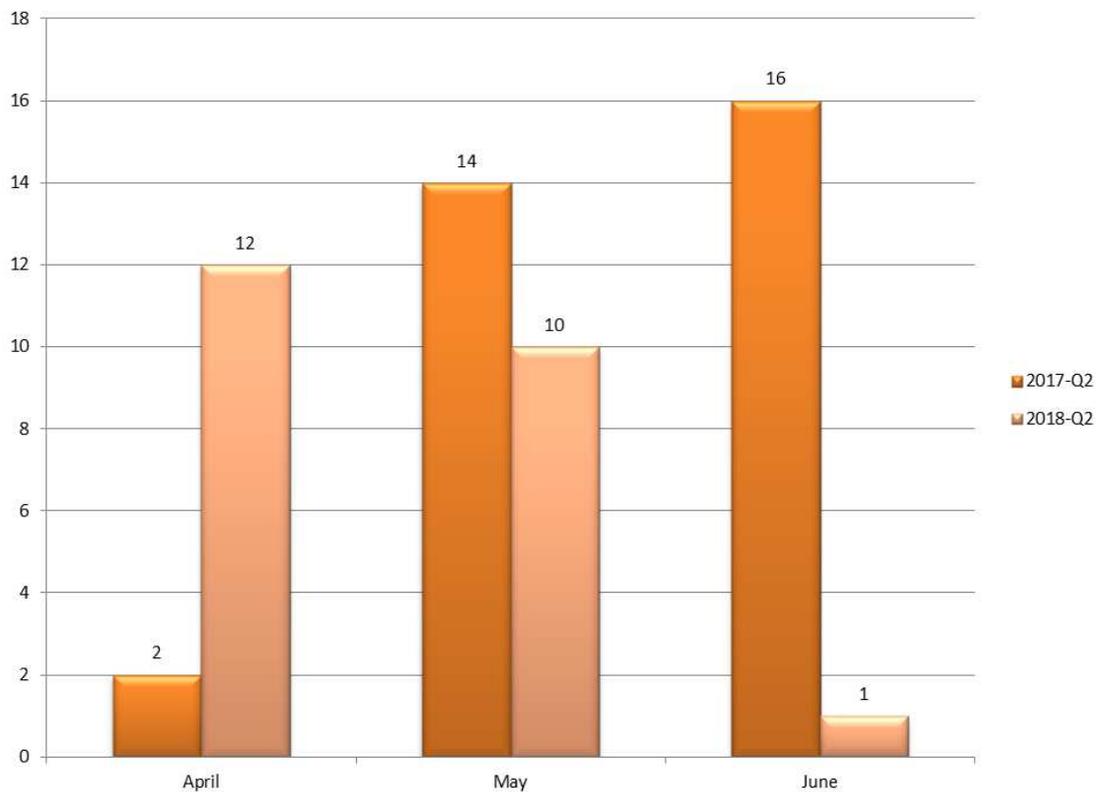
Commercial Real Estate

Tenant Improvement

A Tenant Improvement (TI) refers to changes made to the interior of a commercial or industrial property by its owner to accommodate the needs of a tenant. A TI is an indicator of a new business opening in the City or an existing business expanding or renovating to meet their needs. A total of 23 TI's were processed in 2018-Q2, which is a decrease of 9 TI permits from 2017-Q2. April 2018 experienced a high of 12 TI permits, making April the highest month during 2018-Q2.

On a year-by-year comparison, TI's have also increased from 2015 to 2017. In 2015, the Building and Safety Division processed 76 TI permits. In 2016, the City processed 97 TI permits (an increase of 21 TI permits), and then TI's increased once again in 2017 with 115 TI permits processed by City staff (increase of 18 TI permits). This increase in TI's is a positive sign for the local economy.

Tenant Improvements for 2018-Q2



Tenant Improvements – 2018

Jan	Feb	Mar	Apr	May	June
9	16	7	12	10	1
July	Aug	Sept	Oct	Nov	Dec

Annual Comparisons from 2013 to 2017

2013	2014	2015	2016	2017	2018
90	108	76	97	115	110*

*Forecast based on the first two quarters of 2018.

Commercial Real Estate

Total Vacancy in Cerritos

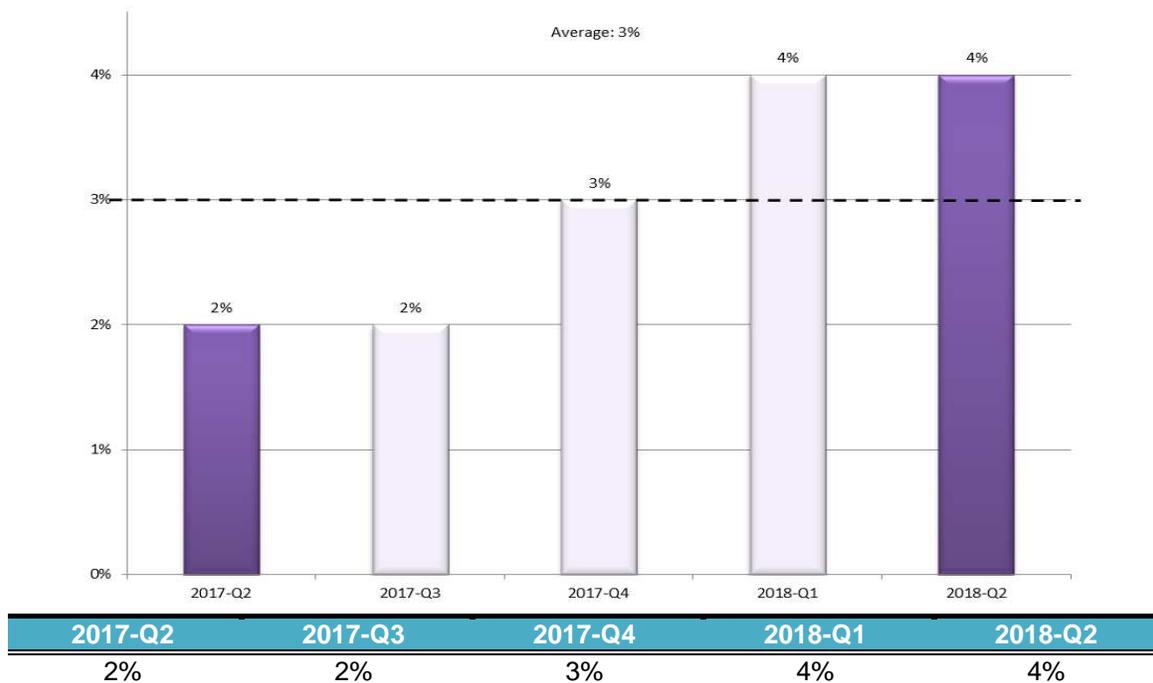
The City of Cerritos currently has a low vacancy rate when compared to the overall total available space for industrial, office, and retail uses. Currently, there is approximately 679,202 square feet of vacant industrial space, which equates to 5% of the total available citywide industrial space (15,088,117 square feet). Additionally, the City has approximately 33,254 square feet of vacant office space (2% of the total office space in Cerritos) and approximately 125,334 square feet of available retail space (3% of the total retail space in Cerritos). This equates to a total of 837,790 square feet of available space in the City, which is equal to 4% of the total amount of square footage within the City (21,196,480).

Total Available and Vacant Space in Cerritos

Use	Total Space (Sq. Ft.)	Total Vacant Space (Sq. Ft.)	Percent (%) of Vacancy in Cerritos
Industrial	15,088,117	679,202	5%
Office	1,422,575	33,254	2%
Retail	4,685,788	125,334	3%
Total	21,196,480	837,790	4%

In a quarter-by-quarter comparison, the City's total available and vacant space in Cerritos has remained relatively low. In 2017-Q2, the total vacancy rate was at 2% and remained at 2% through 2017-Q3. In 2017-Q4, the vacancy rate increased to 3% and then increased once again to 4% in 2018-Q1. The overall vacancy rate for 2018-Q2 remained at 4%. During 2018-Q2, three buildings were for sale, which may account for the overall vacancy rate of 4%. In comparison, according to real estate firm Newmark, Knight, and Frank, Los Angeles County's vacancy rate is at 7.9% and Orange County's vacancy rate was at 7% for 2018-Q2, which is significantly higher than Cerritos' overall vacancy rate of 4%.

Total Cerritos Vacancy Rates

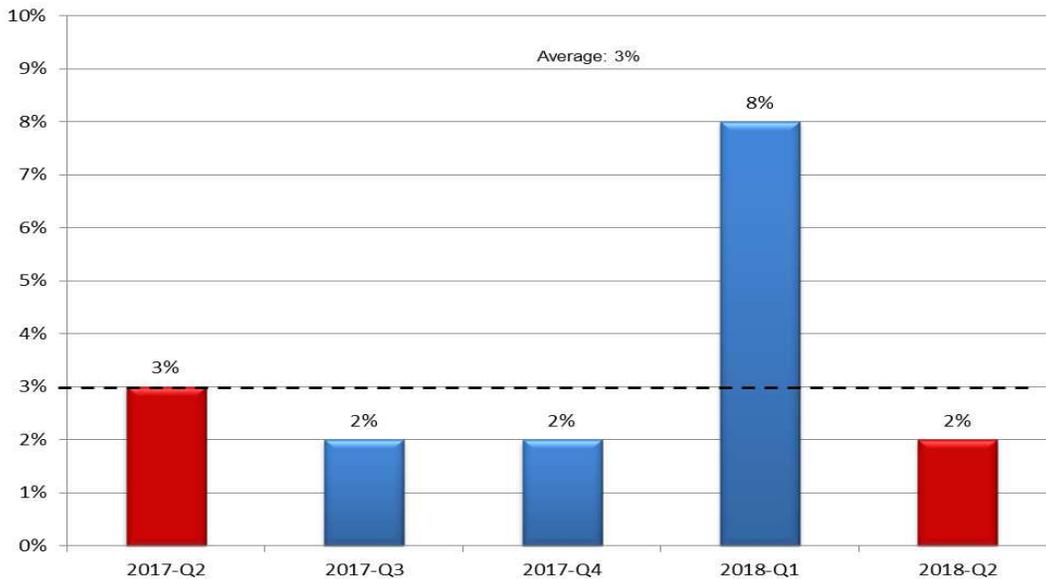


Commercial Real Estate

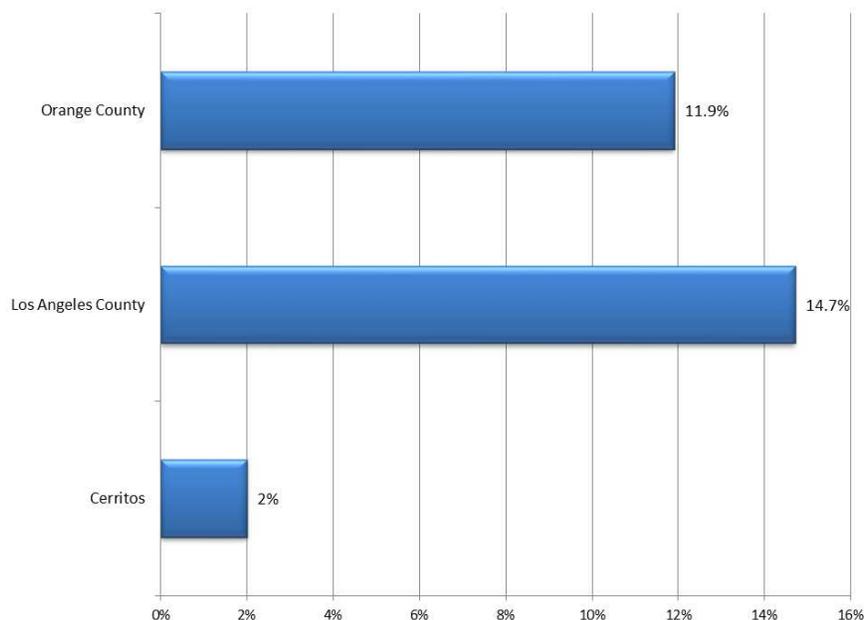
Office Vacancy Rates

In 2018-Q2, the Cerritos office vacancy rate was at 2%, which is a decrease from 2017-Q2, which was at 3%. Based on available data, Loop.net reported only 11 office spaces available in 2018-Q2 (33,254 square feet), compared to 23 office spaces, which were available in 2017-Q2 (40,087 square feet), which may have accounted for the 1% decrease in office vacancy rates. Additionally, 2018-Q2 experienced a significant decline in the vacancy rate when compared to 2018-Q1, which was at 8%. In a regional comparison, the City's 2% office vacancy rate was lower than Los Angeles County's office vacancy rate, which was at 14.7% and Orange County's office vacancy rate, which was at 11.9%.

Cerritos Office Vacancy Rates



2018-Q2 Office Vacancy Rate – County Wide Comparison



Commercial Real Estate

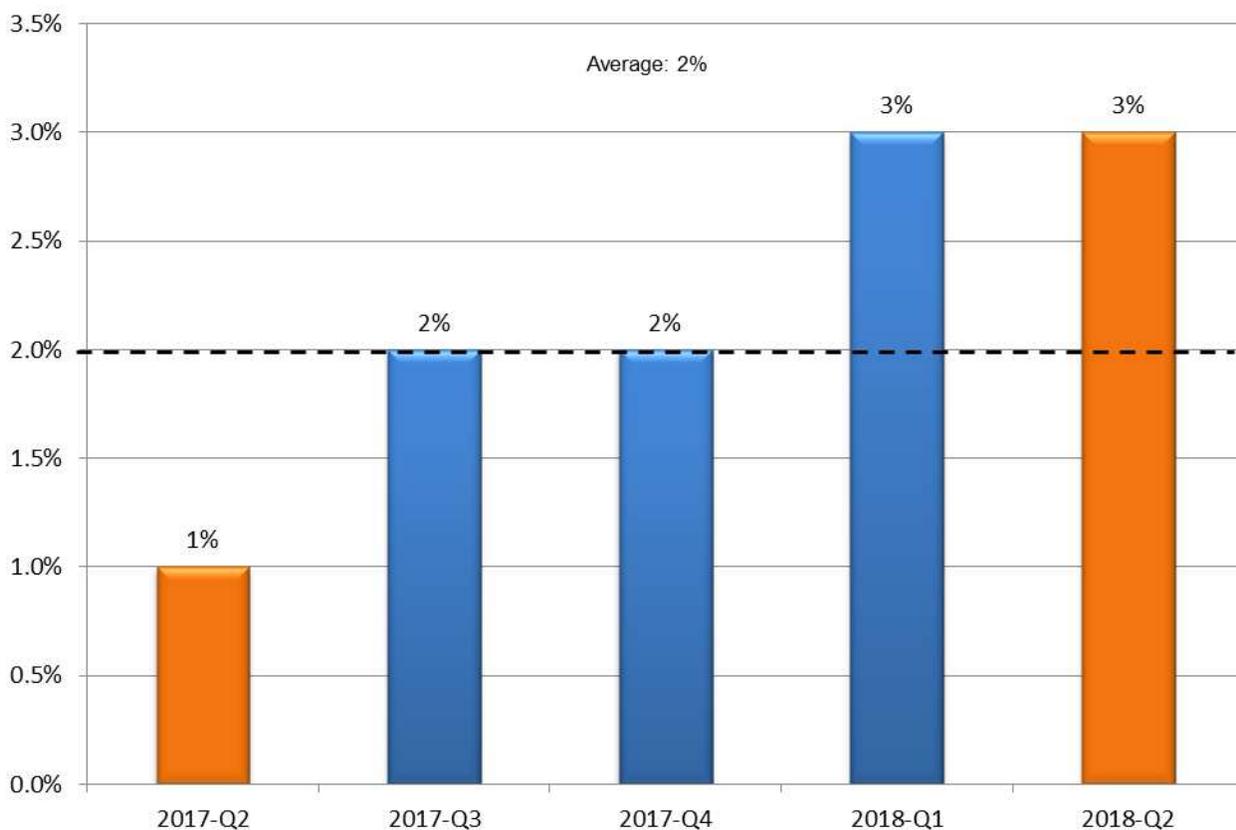
Retail Vacancy Rates

Cerritos currently has approximately 4,685,788 square feet of total retail space, which includes the Los Cerritos Center, Plaza 183, and the Cerritos Towne Center. Based on available data, Cerritos had a retail vacancy rate of 3% (125,334 square feet) during 2018-Q2, which is consistent with the retail vacancy rate from 2018-Q1 (3%). Based on a trend analysis, the retail vacancy rate has remained at an average of 2% over the past five quarters.

The retail vacancy rate has remained low due to the improvements at the Los Cerritos Center, the Cerritos Plaza Shopping Center, and at Plaza 183 located along 18rd Street, just north of the Los Cerritos Center. With the City's shopping centers almost at full vacancy, the Cerritos retail vacancy rate should remain between 1% and 3% for the next several quarters.

This low overall retail vacancy rate indicates that retail space is in great demand in Cerritos. In addition, Cerritos' strategic location along the 91 and 605 Freeways contribute toward a greater demand for retail space. The Cerritos Towne Center and Los Cerritos Center are located along these freeways providing consumers with easy access to these centers for their retail shopping needs.

Cerritos Retail Vacancy Rates

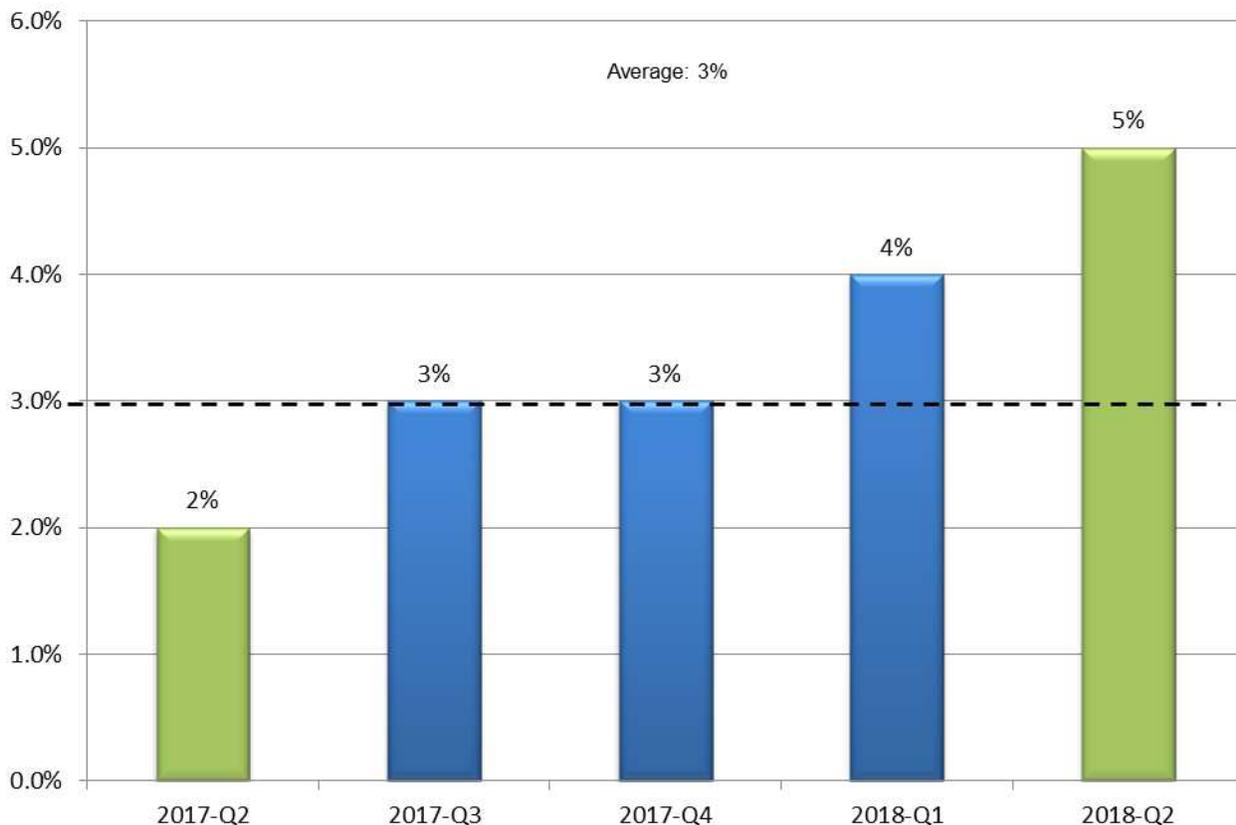


Commercial Real Estate

Industrial Vacancy Rates

Cerritos currently has approximately 15,088,117 square feet of total industrial space, which includes the Cerritos Industrial Park. Based on available data, Cerritos had an industrial vacancy rate of 5% for 2018-Q2, which is a slight increase from 2018-Q1 (4%). Based on a trend analysis, the industrial vacancy rate was at 2% during 2017-Q2, increased in 2017-Q3 to 3%, then remained the same in 2017-Q4 at 3%. In 2018-Q1, the vacancy rate increased to 4% and it increased once again in 2018-Q2 to the current rate of 5%. As previously mentioned, Loop.net is reporting that in 2018-Q2, 679,202 square feet were listed for lease or sale, potentially leading to the increase in the industrial vacancy rate by 1% from 2018-Q1, in which 616,933 square feet of space was available for lease or sale. Loop.net also reported three large buildings that were available for lease/sale during 2018-Q2: a 100,000 square foot building, a 146,640 square foot building, and a 281,776 square foot building.

Cerritos Industrial Vacancy Rates



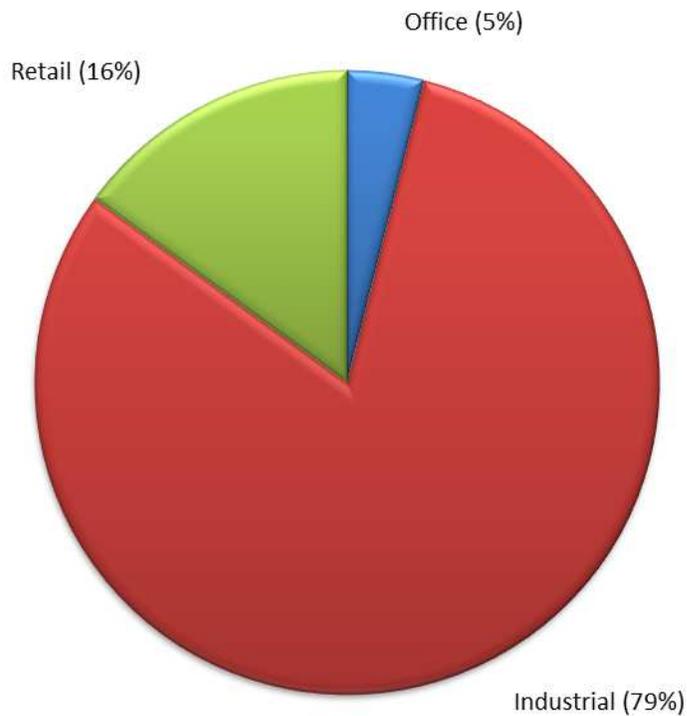
(Note: Industrial vacant space in Cerritos includes a greater proportion of warehousing and distribution businesses, which require large facilities. Therefore, a single vacancy may contribute a large amount of square footage to the overall vacancy rate. Industrial vacancy rates are calculated using available data from Loop.net for properties that are available for lease. Further, there is a possibility of additional vacant industrial properties; however, these properties may not be available for lease or reported on Loop.net at the time of the preparation of this report.)

Commercial Real Estate

Vacancy Breakdown by Use

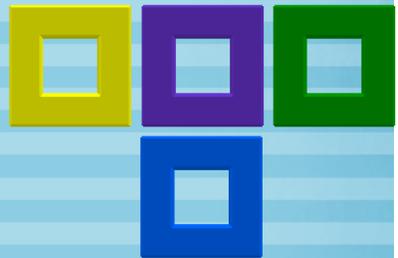
In Cerritos during 2018-Q2, there is approximately 837,790 square feet of total vacant space, which amounts to 4% of the total available space in the City. Of the total available space, 79% (679,202 square feet) is available for industrial use, 16% (125,334 square feet) is available for retail use, and 5% (33,254 square feet) is available for office use.

Vacancies By Use





Housing

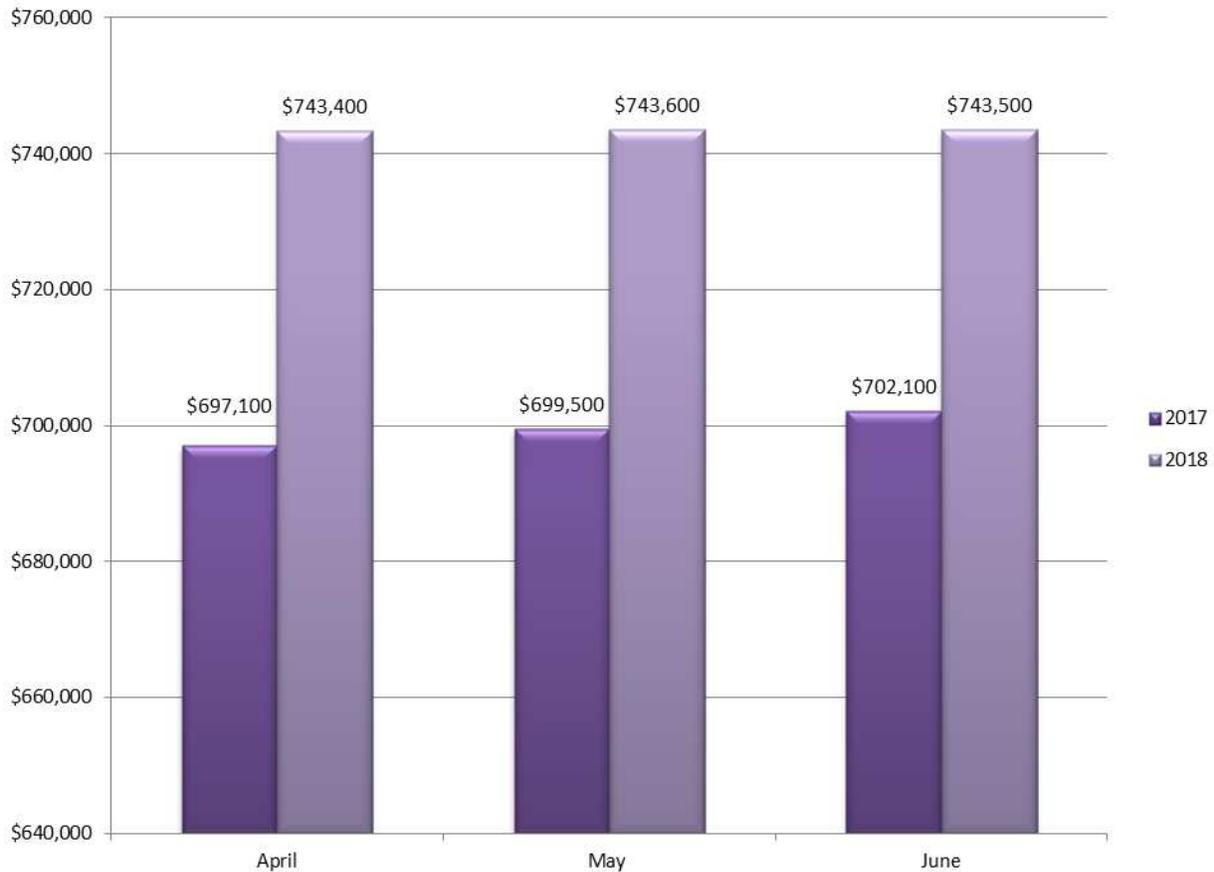


Housing

Single-Family Residential

For 2018-Q2, the average median home sales price in Cerritos was \$743,500. Housing prices in Cerritos increased each month during 2018-Q2, when compared to 2017-Q2 sales prices. For example, housing prices increased in April 2018 by 6.6% (\$46,300 increase), May 2018 increased by 6.3% (\$44,100 increase), and June 2018 increased by 5.9% (\$41,400 increase) from a year ago. This three month increase in single-family home sales prices is a positive sign of the local economy and the housing market in Cerritos.

Single-Family Residential Home Sales Price in Cerritos - 2018-Q2
Second Quarter Average: \$743,500



Single-Family Home Sale Prices – County Comparison for June 2018

Cerritos	Los Angeles County	Orange County
\$743,500	\$631,000	\$767,000

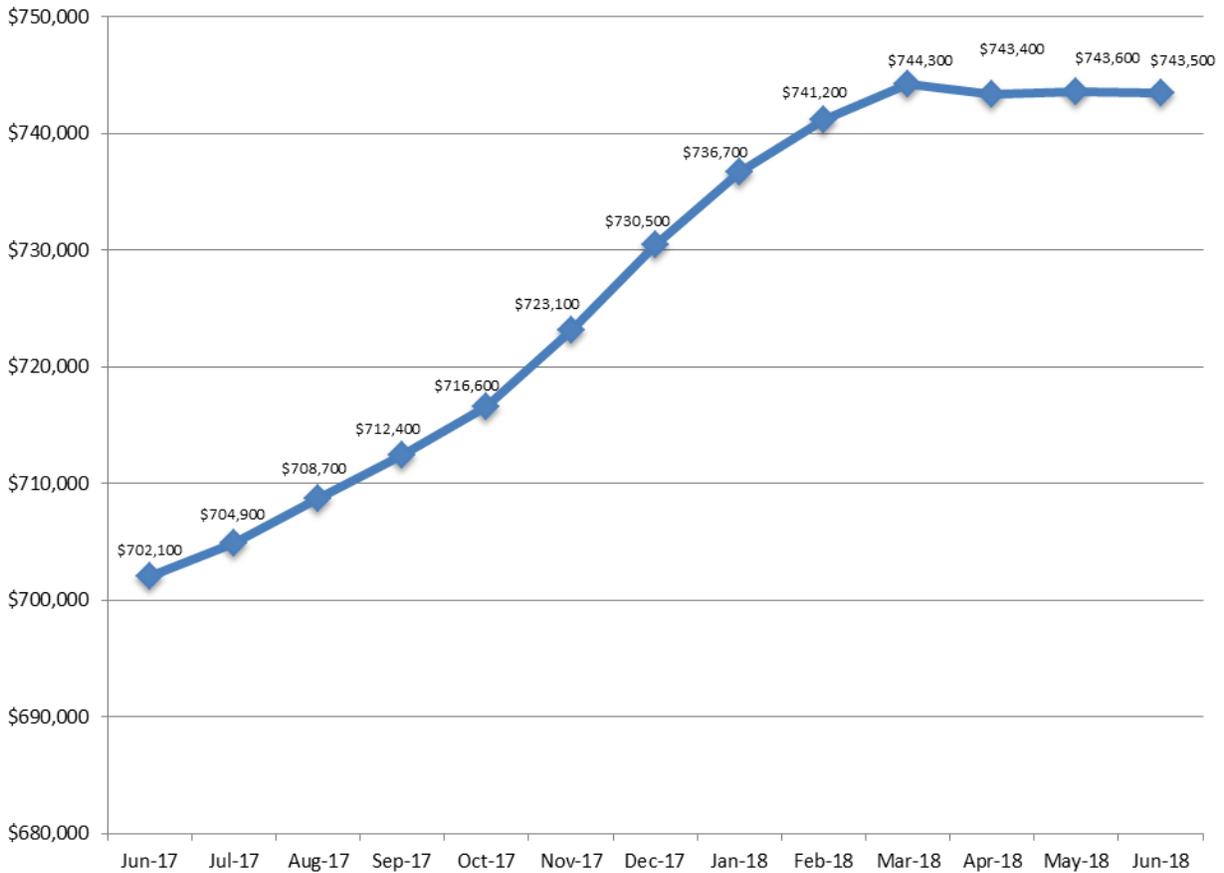
In June 2018, Cerritos had an average single-family home sales price of \$743,500, which was higher than Los Angeles County (\$631,000); however, just lower than Orange County (\$767,000). This higher sales price in Cerritos indicates that housing is in great demand in the City.

Housing

Single-Family Residential – One Year Trend Line

Based on a one year trend line analysis from June 2017 to June 2018, the average sales price for a single-family residential home in Cerritos over the one year period is \$727,000 (one year period). According to the data provided by Zillow.com, housing prices increased each month from June 2017 through March 2018, then decreased slightly in April 2018, and then remained constant for May 2018 and June 2018. Additionally, a three-bedroom house in the City of Cerritos had a median sales price of \$684,800 and a four bedroom house had a median sales price of \$774,400.

One Year Housing Sale Price Trend Line – June 2017 to June 2018



**Average Single-Family Home Sale Prices
Three Bedrooms and Four Bedrooms for June 2018**

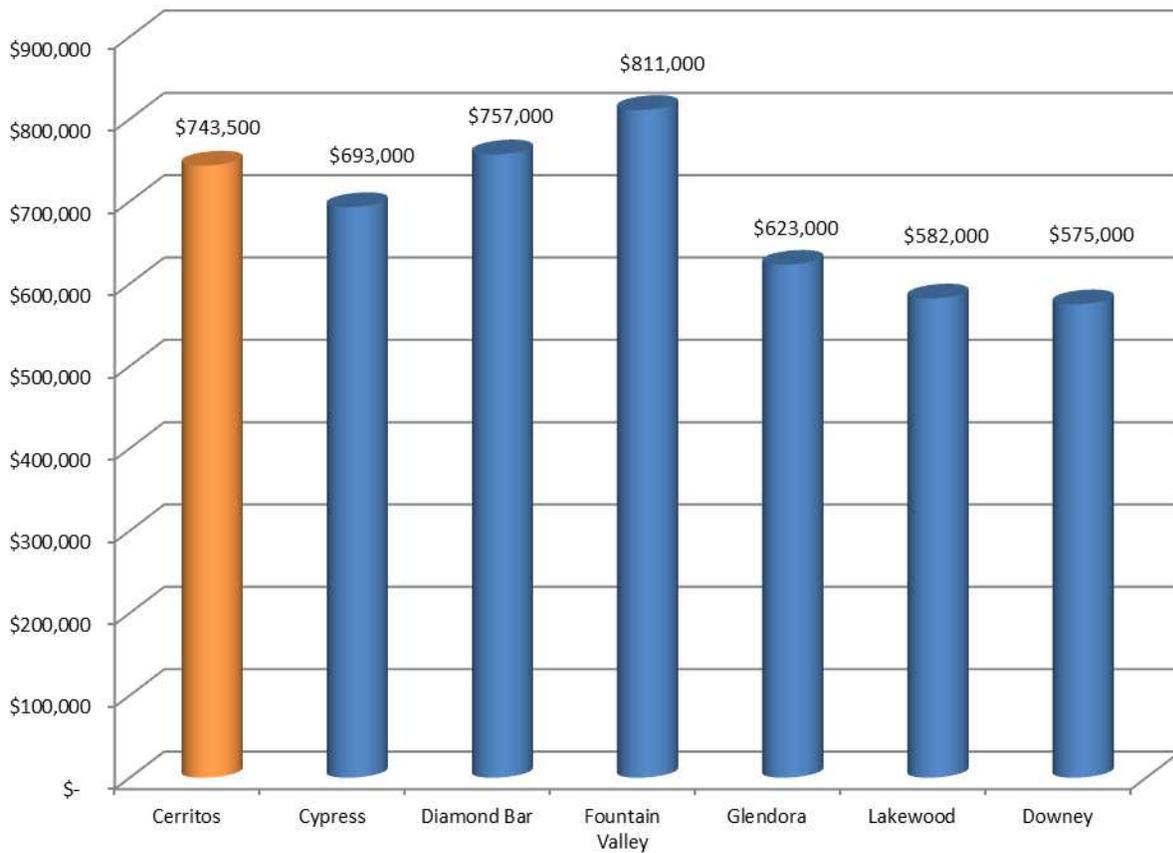
Cerritos - Average	Cerritos - Three Bedrooms	Cerritos - Four Bedrooms
\$743,500	\$684,800	\$774,400

Housing

Single-Family Residential – Regional Comparison

In a regional comparison, Cerritos' property values have maintained their value and are higher than a majority of surrounding cities and regionally comparable cities. In a sample of June 2018 home sales prices throughout the region, Cerritos' average home sales price was \$743,500, which was higher than four other comparable cities, including Cypress (\$693,000), Glendora (\$623,000), Lakewood (\$582,000), and Downey (\$575,000).

Regional Comparison – June 2018

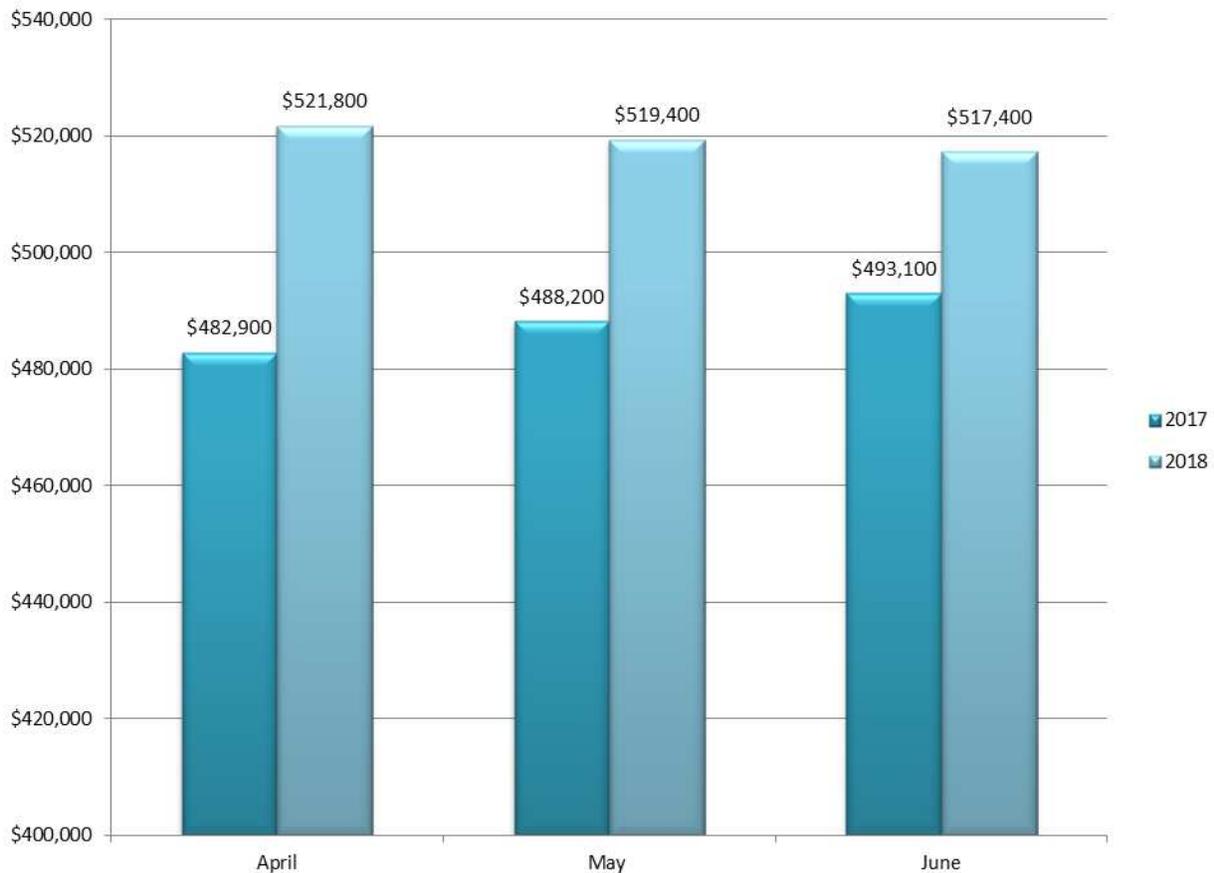


Housing

Multi-Family Residential - Condominiums

Condominiums have a niche in housing between renting and owning single-family homes. For 2018-Q2, the average median condominium home sales price in Cerritos was \$519,533. Condominium sale prices in Cerritos increased in April 2018 by 8.1% (\$38,900 increase), in May 2018 by 6.4% (\$31,200 increase), and in June 2018 by 4.9% (\$24,300 increase) from the previous year. In a regional comparison for June 2018, Cerritos median condominium home sales price (\$517,400) was lower than Los Angeles County (\$530,000); however, higher than Orange County (\$506,000).

Condominium Home Sales Price in Cerritos - 2018-Q2
Second Quarter Average: \$519,533



Condominium Home Sale Prices – County Comparison for June 2018

Cerritos	Los Angeles County	Orange County
\$517,400	\$530,000	\$506,000

Data Sources

Major Revenues

City of Cerritos, Finance Division
City of Cerritos, GIS Division

Auto Sales

Cerritos Auto Dealers Association

Employment/Unemployment

California Employment Development Department

United States Bureau of Labor and Statistics

Real Estate

Loop.net

Housing

Zillow.com